

FIRST SEMESTER M.A DEGREE EXTERNAL EXAMINATION FEBRUARY 2016

(2015 Admission)

CC15P ECO1 C02 – Macro Economics: Theories and Policies I

(Economics)

Time: Three Hours**Maximum: 36 Weightage****Part A**Answer *all* questions.Each question carries $\frac{1}{4}$ Weightage

1. The Keynesian one sector Model includes

a) Goods market	b) Money market
c) Labour market	d) None
2. In the Liquidity trap region, the elasticity of demand for money balance is

a) Zero	c) Greater than Unity
b) Unity	d) Infinite
3. The total liability of the Monetary Authority of a country is called

a) High Powered Money	c) Both a & b
b) Monetary Base	d) None of these
4. If demand for money is perfectly elastic with respect to interest rate, the LM curve will be

a) Vertical	c) Horizontal
b) Steeper	d) Flatter
5. The policy of running a higher and higher budget deficit is

a) Contractionary	c) Neutral
b) Expansionary	d) None of the above
6. An inventory-theoretic approach to demand for money was developed by

a) Baumol	c) Tobin
b) Both a & b	d) None of these
7. The effect of a decline in the price level which increases real net wealth causing an increase in consumption is called

a) Demonstration Effect	c) Keynes Effect
b) Pigou Effect	d) Price Effect
8. The relationship between demand for money and interest rate is

a) Direct	c) Proportional
b) Inverse	d) None of these
9. Which of the following is based on General Equilibrium approach?

a) Keynes one sector model	c) Walrasian system
b) IS-LM	d) All the above
10. The accelerator is

a) C/O	c) I/Y
b) Y/I	d) None of these
11. In the Keynesian version of IS-LM model, price level is:

a) Fixed	c) Unity
b) Flexible	d) None of the above

12. Monetary Policy Reform Committee which recommended inflation targeting in India is
- | | |
|-------------------------|--------------------------|
| a) Rangarajan Committee | c) Y.V Reddy Committee |
| b) Gokarn Committee | d) Urjit Patel Committee |

(12 x ¼ = 3 Weightage)

Part B

Very Short Answer Questions

Answer any *five* not exceeding one paragraph each. Each question carries 1 Weightage

13. What is *tatonnement*?
14. Explain Walras's Law.
15. What is ratchet effect?
16. Explain Tobin's q-ratio.
17. What is Pigou Effect?
18. Write a note on precautionary demand for money.
19. Examine the issue of Central bank autonomy.
20. What is expansionary monetary policy?

(5 x 1 = 5 weightage)

Part C

Short Answer Questions

Answer any *eight* not exceeding one page each. Each question carries 2 Weightage.

21. What is Classical Dichotomy?
22. Explain the idea of inter-temporal choice.
23. Explain Samuelson's overlapping generation's model.
24. How is money supply determined in endogenous theory?
25. Explain crowding out.
26. What is better in monetary policy, Rules or Discretion?
27. Explain Taylor rule.
28. How did Milton Friedman restate the Quantity Theory of Money?
29. Explain Absolute Income Hypothesis.
30. Explain *real balance effect*.
31. Distinguish between Neoclassical and Keynesian Aggregate Supply Curves.

(8 x 2 = 16 weightage)

Part D

Essay Questions

Answer any *three* not exceeding three pages each. Each question carries 4 Weightage

32. Explain the Walrasian system.
33. Discuss the H-Theory of money supply, explaining the process of money multiplier.
34. Discuss Life Cycle Hypothesis of consumption.
35. How do you derive aggregate demand curve? Discuss Keynesian Three sector model.
36. What is monetary policy? Discuss its effectiveness using IS-LM framework.

(3 x 4 = 12 weightage)
