

FIRST SEMESTER M.A. DEGREE EXAMINATION, DECEMBER 2015

(CCSS)

Economics

ECO 1C 02—MACRO ECONOMIC THEORY

(2013 Admission onwards)

Time : Three Hours

Maximum : 80 Marks

Part A

*Answer all questions.**Each question carries 1 mark.*

Choose the correct answer :

1. GNP at constant prices is called :
(a) Nominal GNP. (b) Real GNP.
(c) Notional GNP. (d) None of the above.
2. The major advantage of value added method is :
(a) It includes all incomes. (b) It includes all factor payments.
(c) It avoids double counting. (d) None of the above.
3. For the purpose of estimating National Income the sectoral classification is :
(a) Households, firms and Government.
(b) Households, firms and foreign sector.
(c) Primary, secondary and tertiary.
(d) Primary, secondary and Government.
4. The author of Permanent Income Hypothesis :
(a) Keynes. (b) Ausenberry.
(c) Friedman. (d) Fischer.
5. Inventory theory of Demand of Money is associated with :
(a) Banmol. (b) Friedman.
(c) Keynes. (d) Tobin.
6. In RBI's parlance, M_3 is called :
(a) Broad money. (b) Reserve money.
(c) Narrow money. (d) High power money.

Turn over

7. LM in IS = LM equality indicates :
- (a) Product market. (b) Money market.
(c) Labour market. (d) None of the above.
8. Two sector Keynesian model indicates :
- (a) Agriculture and Industry. (b) Industrial and Service.
(c) Households and Firms. (d) Agriculture and Service
9. During the depressionary period growth rate of national output will be :
- (a) Positive. (b) Negative.
(c) Zero. (d) None of the above.
10. The author of over investment theory of business cycle :
- (a) Harrod-Domar. (b) Hayek.
(c) Keynes. (d) Tinbergen.

(10 × 1 = 10 marks)

Part B

*Answer any eight questions.
Each question carries 5 marks.*

11. Briefly explain permanent income hypothesis.
12. Define Investment Function. Discuss the factors that govern Investment Function.
13. What is Demand for money ? What are the factors that influence demand for money ?
14. State and explain Banmol's inventory theory.
15. Briefly discuss Gurley and show version of liquidity theory.
16. Write the different measures of money supply.
17. Briefly explain the methodology of measuring National Income in India.
18. What are the different measures of correcting disequilibrium in BOP.
19. What are the instruments of Monetary policy ?
20. Write a note on wage rigidity and wage flexibility.
21. Explain briefly Hawtrey's Monetary theory of business cycles.
22. Explain Mordhan's business cycle theory.

(8 × 5 = 40 marks)

Part C

Answer any two questions.

Each question carries 15 marks.

23. State and explain Accelerator theory of Investment. Discuss its relevance in the present context.
24. Explain and illustrate Money Multiplier process.
25. Explain in detail the effectiveness of Monetary and Fiscal policies using IS – LM framework.
26. Explain and illustrate Kaldor's model of business cycles.

(2 × 15 = 30 marks)