

FIRST SEMESTER P.G. DEGREE EXAMINATION, NOVEMBER 2019

(CCSS)

Economics

ECO 1C 02—MACROECONOMIC THEORY AND POLICY

(2019 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A (Multiple Choice Questions)

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

1. Tobin Q ratio is related to :

(a) Cost.

(b) Profit.

(c) Supply.

(d) Investment.

2. Difference between planned investment and actual investment is called :

(a) Inventory.

(b) Export.

(c) Import.

(d) Realized investment.

3. Velocity of money is assumed to be constant by :

(a) Keynes.

(b) Classical.

(c) Hansen.

(d) ISLM theory.

4. Which of the following is not an instrument of fiscal policy control ?

(a) Personal income tax.

(b) Transfer payments.

(c) Corporate income tax.

(d) Bank rate.

5. Super multiplier refers to :

(a) Interaction of multiplier and accelerator.

(b) Reciprocal of MPC.

(c) Capital output ratio.

(d) Budget multiplier.

Turn over

6. An increase in the money supply have no effect upon equilibrium income if :

- (a) LM is steeply by sloped IS is relatively flat.
- (b) LM steeply sloped and IS is vertical.
- (c) LM is vertical and IS steeply sloped.
- (d) LM is relatively flat as the IS.

7. Keynes hold that consumption function is :

- (a) Unstable.
- (b) Partially stable.
- (c) Stable.
- (d) Not certain.

8. The optimum capital stock is achieved when the user cost of capital is equal :

- (a) Interest rate.
- (b) The depreciation rate.
- (c) The marginal product of capital.
- (d) Tobins 'Q.

9. The flatter the LM curve, the :

- (a) Larger is the government expenditure.
- (b) Larger is the price level.
- (c) Larger is the money supply.
- (d) Larger is the interest sensitiveness of money demand.

10. Patinkin has established the neutrality of money through :

- (a) Price effect.
- (b) Income effect.
- (c) Real balance effect.
- (d) None of these.

(10 × 1 = 10 marks)

Part B (Very Short Answer Questions)

Answer any five questions.

Each question carries 2 marks.

Answer in one or two sentences each.

- 11. Inflation.
- 12. Unemployment.
- 13. Balance of payments.
- 14. Consumption function.
- 15. Inter-temporal choice model.

16. Tobins q-ratio.
17. Liquidity trap.
18. Investment multiplier.

(5 × 2 = 10 marks)

Part C (Short Answer Questions)

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

19. Explain the methods of measurement of national income.
20. Explain absorption approach to BOP.
21. Explain causes of BOP disequilibrium.
22. Explain relative income hypothesis.
23. Explain accelerator theory of investment.
24. Explain measures of money supply.
25. Discuss Hawtrey's monetary theory.
26. Explain Kaldor model of trade cycle.
27. Explain H-theory of money supply.
28. Discuss Friedman restatement of quantity theory of money.
29. Explain behavioural theory of money supply.
30. Explain Keynesian theory of unemployment and labour market.

(8 × 5 = 40 marks)

Part D (Essay Type Questions)

*Answer any two questions.
Each question carries 10 marks.*

31. Discuss three sector IS-LM model.
32. Explain Baumol inventory model.
33. Discuss Schumpeter innovation theory.
34. Discuss permanent income hypothesis.

(2 × 10 = 20 marks)