

D 12191

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Name.....

Reg. No.....

FIRST SEMESTER P.G. DEGREE EXAMINATION, NOVEMBER 2021

(CCSS)

Economics

ECO 1C 02—MACRO ECONOMIC THEORY AND POLICY

(2019 Admissions)

Time : Three Hours

Maximum : 80 Marks

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

Multiple choice questions :

1. When income increases consumption also _____.
 - a) Increases.
 - b) Decreases.
 - c) Constant.
 - d) None.
2. Supply creates its own demand is _____.
 - a) Says law of market.
 - b) Classical dichotomy.
 - c) Wage price flexibility.
 - d) None.
3. Relation between cost of capital and rate of return is _____.
 - a) Q-ratio of investment.
 - b) Accelerator.
 - c) Multiplier.
 - d) None.
4. Classicals treated money as a _____.
 - a) Medium of exchange.
 - b) Store of value.
 - c) Both (a) and (b).
 - d) None.
5. Inducement to invest depends upon _____.
 - a) Income.
 - b) Price.
 - c) Investment.
 - d) None.
6. Transitory income was propounded by _____.
 - a) Friedman.
 - b) Keynes.
 - c) Modigliani.
 - d) None.

Turn over

7. Friedman theory of consumption is based on _____.
a) Absolute income. b) Permanent income.
c) Life time income. d) None.
8. Concept of demonstration effect is related to _____.
a) Relative income hypothesis. b) Permanent income hypothesis.
c) Absolute income theory. d) None.
9. GDP refers to _____.
a) Gross domestic product. b) Gross national product.
c) Gross disposable income. d) None.
10. Income minus consumption is equal to _____.
a) Saving. b) Investment.
c) MPC. d) None.

(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. Types of inflation.
12. Types of unemployment.
13. Balance of trade.
14. Keynesian psychological law of consumption.
15. Ratchet and demonstration effect.
16. Types of investment.
17. Gurley-Shaw hypothesis.
18. Simple Keynesian model.

(5 × 2 = 10 marks)

Part C (Short Answer Questions)

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

19. Explain components of BOP.
20. Explain Kuznet consumption puzzle.
21. Explain Keynesian liquidity preference theory.

22. Explain money multiplier.
23. Explain one sector neoclassical model.
24. Explain multiplier accelerator theory.
25. Explain neoclassical theory of unemployment and labour market.
26. Explain portfolio balance theory.
27. Explain components of money supply.
28. Explain neoclassical theory of investment.
29. Discuss the factors affecting consumption.
30. Discuss random walk model of consumption.

(8 × 5 = 40 marks)

Part D (Essay Type Questions)

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

31. Derive IS-LM model.
32. Discuss the effectiveness of monetary and fiscal policy in IS-LM analysis.
33. Critically evaluate life cycle hypothesis.
34. Discuss Hayek's over investment theory.

(2 × 10 = 20 marks)