



K18P 1305

Reg. No. :

Name :

**First Semester M.A. Degree (Reg./Suppl./Imp.) Examination, October 2018
(2014 Admn.Onwards)**

ECONOMICS/APPLIED ECONOMICS/DEVELOPMENT ECONOMICS

ECO 1C02 : Macro Economic Theory – I

Time : 3 Hours

Max. Marks : 60

PART – A

(Objective Type Questions)

Write **all** the **eight** Questions. **Each** question carries $\frac{1}{2}$ Mark.

1. The long run relationship between inflation and interest rates is called
 - A) Keynes effect
 - B) Pigou effect
 - C) Fischer effect
 - D) Patinkin effect
2. The tendency of increase in government spending to cause reductions in private investment spending is
 - A) Crowding in effect
 - B) Crowding out effect
 - C) Cross subsidization
 - D) Fiscal effect
3. Among the following economists, who is a Keynesian ?
 - A) James Tobin
 - B) Karl Brunner
 - C) Anna Schwartz
 - D) Allan Meltzer
4. Consumption increases as income increases, but less than the proportionate to increase in income. This is opined by
 - A) Simon Kuznet
 - B) Anna Schwartz
 - C) J. M. Keynes
 - D) P. A. Samuelson

P.T.O.



5. In the simple form of Quantity Theory of Money, $MV = PT$, 'P' is determined by
- A) M
B) V
C) T
D) None of the above
6. Tendency in a free market for price to change until the market clears through
- A) Market mechanism
B) Market failures
C) Government intervention
D) Monetary Policy
7. The horizontal portion of the LM curve is called
- A) The Classical range
B) The Keynesian range
C) The Intermediate range
D) The Neo-classical range
8. Governments can only have an impact on economy in so far as their policies are unanticipated. This view is held by
- A) Classical Economics
B) Keynesian Economics
C) New Keynesian Economics
D) New Classical Economics $(8 \times \frac{1}{2} = 4)$

PART - B

(Short Answer Type Questions)

Write **any eight** questions. **Each** question carries **2 Marks**.

9. What is Tobin's Q-ratio ?
10. What is stagflation ?
11. What is meant by high powered money ?
12. Narrate the concept of investment multiplier and its importance.
13. Explain the extended IS-LM model with government sector.
14. What is Rational Expectations ?
15. What is hysteresis ?
16. Examine the instruments of monetary policy.
17. What is Money Illusion ?

 $(8 \times 2 = 16)$



PART – C
(Short Essay Type Questions)

Write **any four** Questions. **Each** answer should **not** exceed **two** and half a page.

18. Give an account on endogenous money supply theory.
19. Distinguish between New Classical macroeconomics and New Keynesian macroeconomics.
20. Compare and contrast Neoclassical and Keynesian labor market equilibrium.
21. Narrate the Fiscalist-Monetarist controversy in macroeconomic theory and policy.
22. Explain Friedman's re-statement of Quantity Theory of Money.
23. Analyze the relative effectiveness of Monetary and Fiscal policies with the help of IS-LM model. (4×5=20)

PART – D

Answer **any two** questions. **Each** answer should **not** exceed **six** pages.

24. Briefly narrate theoretical developments in macroeconomics from classical to New Keynesian economics.
25. State and explain any three consumption hypotheses.
26. Explain the Classical and Keynesian approaches to demand for money.
27. State and explain the financial theory of investment. (2×10=20)

A) James Tobin

B) Karl Brunner

C) Anna Schwartz

D) Allan Meltzer

Consumption increases as income increases, but less than the proportionate increase in income. This is opined by

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B) Anna Schwartz

C) J. M. Keynes

D) P. A. Samuelson