First Semester M.A. Degree (CBSS – Reg./Suppl. (Including Mercy Chance)/Imp.) Examination, October 2020
(2014 Admission Onwards)
ECONOMICS/APPLIED ECONOMICS/DEVELOPMENT ECONOMICS
ECO 1C 02 : Macro-Economic Theory – 1

Time : 3 Hours

Max. Marks : 60

PART – A

Answer **all** questions. **Each** question carries ½ mark.

1. A fall in demand for money would cause
   a) A rightward shift in the IS function
   b) A leftward shift in the IS function
   c) A rightward shift in the LM function
   d) A leftward shift in the LM function

2. Financial theory of investment is propounded by
   a) Hicks
   b) Keynes
   c) Koyak
   d) Duesenberry

3. The life cycle hypothesis of consumption function is propounded by
   a) Friedman
   b) Fisher
   c) Ando and Modigliani
   d) Duesenberry

4. The ratio of change in investment to the change in income is called
   a) Marginal Propensity to invest
   b) Accelerator
   c) Average propensity to invest
   d) Multiplier

5. If the long-run consumption function is proportional, then
   a) MPC < APC
   b) MPC > APC
   c) MPC = APC
   d) MPC = APC = 1

6. The pure Keynesian range of the LM curve
   a) Horizontal part
   b) Vertical part
   c) Intermediate part
   d) Perfectly inelastic

7. Autonomous Investment curve is
   a) Horizontal line parallel to income axis
   b) Vertical line
   c) Positively related to income
   d) Negatively related to the rate of interest

8. Precautionary demand for money is a function of
   a) Rate of inflation
   b) Level of income
   c) MEC
   d) Rate of interest

(8×½=4)

P.T.O.

PART – B

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

9. Tax Multiplier.
10. MEC.
11. Voluntary Unemployment.
12. Real Balance effect.
13. Monetarism.
14. MPC.
15. Demonstration Effect.
16. Tobin's Q Ratio.
17. Autonomous Investment.
18. Ratchet effect.
19. Leverage effect. **(8×2=16)**

PART – C

Answer **any four** questions. **Each** question carries **five** marks.

20. Explain Keynes Psychological Law of Consumption.
21. Distinguish between Induced and Autonomous Investment.
22. Explain the theory of endogenous money supply.
23. Explain the Keynesian model of income determination in a three-sector economy.
24. Explain the Balanced Budget Multiplier.
25. Write a short note on New Keynesian Economics. **(4×5=20)**

PART – D

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

26. Explain the Permanent Income Hypothesis.
27. Difference between Monetarism and Fiscalism.
28. Compare the Absolute and Relative Income Hypothesis.
29. Explain the Keynesian approach to the demand for money. **(2×10=20)**