



25. What is Tobin's q rated ? Explain its implications.
26. Explain the Natural Rate Theory of Unemployment.
27. Discuss the view of Real Business Cycle School on Great Depression. (4×5=20)

## PART – D

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

28. Explain General equilibrium using the IS-LM framework.
29. Examine the contribution of Irving Fisher to the theory of consumption.
30. Explain the major policy implications of New Classical School.
31. Describe the H-theory of money supply. (2×13=26)

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## PART – C



Reg. No. : .....

Name : .....

## I Semester M.A./M.Sc./M.Com. Degree (Reg./Sup./Imp.)

Examination, November 2014

(2010-2013 Admn.)

## ECONOMICS

## Paper – II : Macro Economics (Part – I)

Time : 3 Hours

Max. Marks : 80

## PART – A

Answer **all** questions. **All** questions carry **equal** marks. Choose the correct answer.

- Real GNP increases when there is an
  - Increase in the price level
  - Increase in the output
  - Increase in the price level and / or the output
  - Increase in the money supply
- The Philips curve shows
  - An inverse relationship between the real and nominal wage
  - A positive relationship between rate of inflation and nominal wage
  - An inverse relationship between rate of inflation and rate of unemployment
  - A positive relationship between nominal wages and rate of unemployment
- Of all the markets, which is the most difficult to clear ?
 

a) Goods market	b) Money market
c) Bond market	d) Labour market



4. According to the Permanent Income Hypothesis all increases in
- Permanent income are saved
  - Transitory income are saved
  - Permanent income are consumed
  - Transitory income are consumed
5. The authentic source of national income in India is
- NSSO
  - NFHS
  - CACP
  - CSO
6. Tobin's q theory of investment indicates that firms add to their stock of capital when
- The replacement value of real assets exceed the market value of financial asset
  - The market value of financial asset exceed the replacement value of real assets
  - The market value of real assets exceed the book value of financial assets
  - The market value of financial assets exceed the book value of real assets
7. The demand for money for active cash balance is
- Positively related to income level
  - Negatively related to interest rate
  - Positively related to income level and interest rate
  - Negatively related to income level and interest rate
8. Who among the following is a Monetarist ?
- Robert Lucas
  - Gregory Mankin
  - Milton Friedman
  - Arthur Laffer
9. The monetary policy is completely ineffective when LM curve is
- Horizontal
  - Downward sloping
  - Vertical
  - Upward sloping



10. Past Peak Income Hypothesis is associated with
- Franco Modigliani
  - J. M. Keynes
  - Irving Fisher
  - James Duesenberry
- (10×1=10)

## PART – B

Answer **any eight** questions. **Each** answer should not exceed **one and a half** page.

- Explain Wealth Effect.
- What are the basic themes of Monetarists ?
- Explain Okun's Law and sacrifice ratio.
- Explain Demonstration effect.
- Describe the trade-off between inflation and unemployment.
- Explain Adaptive Expectations Hypothesis.
- Describe reasons of the shifting and varying elasticity of IS curve.
- Discuss various methods of national income measurement.
- Explain the behavioural model of money supply.
- What is MEC ?
- Distinguish between Permanent Income and Transitory Income. (8×3=24)

## PART – C

Answer **any four** questions. **Each** answer should not exceed **two and half** pages.

- Explain life cycle Hypothesis.
- Describe the real balance effect.
- Write a note on Keynesian Psychological Law of Consumption.