

M 26666

14. What variables will shift the position of the slope of IS curve?

15. In what sense is vertical LM schedule a classical case?

16. Explain relative income hypothesis.

17. Write a note on monetarism.

PART - C

Answer any four questions. Each question carries five marks.

18. Write note on New Macro economics.

19. Explain foreign trade multiplier.

20. Explain classical dichotomy.

21. Explain Keynesian demand for money.

22. What is accelerator theory of investment?

23. Discuss the policy frame in ISLM model.

PART - D

Answer any two questions. Each question carries 10 marks.

24. Explain the Keynesian theory of supply of money.

25. Evaluate the relevance of permanent income hypothesis.

26. Explain the validity of the Phillips curve.

27. Evaluate the classical employment theory.



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M 26666

Reg. No. : .....

Name : .....

I Semester M.A./M.Sc./M.Com. Degree (Reg./Supple./Imp.)  
Examination, November 2014  
(2014 Admn. under CBSS)  
ECONOMICS/APPLIED ECONOMICS/DEVELOPMENT ECONOMICS  
ECO 1C02 : Macro Economic Theory - I

Time : 3 Hours

Max. Marks : 60

PART - A

Answer all questions. Each question carries 1/2 marks.

- The overall change in income as a result of the change in investment is not instantaneous is called
 

a) Static multiplier	b) Accelerator
c) Dynamic multiplier	d) None of these
- A measure of the change in aggregate production caused by changes in government taxes.
 

a) Tax multiplier	b) Static multiplier
c) Dynamic multiplier	d) Accelerator
- \_\_\_\_\_ Equilibrium is identified as the intersection between the  $C + I + G + (X - M)$  line and the 45-degree line.
 

a) Simple Keynesian model	b) Four sector Keynesian model
c) Two sector Keynesian model	d) None of these
- \_\_\_\_\_ hypothesis in economics states that agents' predictions of the future value of economically relevant variables are not systematically wrong in that all errors are random.
 

a) Permanent income hypothesis
b) Relative income hypothesis
c) Rational expectations
d) None of these

P.T.O.



5. \_\_\_\_\_ implies that individuals plan their consumption and savings behaviour over their life-cycle.
- a) The life-cycle hypothesis      b) Rational expectations  
c) Relative income                  d) None of these
6. \_\_\_\_\_ theory predicts that interest rate changes should have little effect on money demand.
- a) Baumol's demand for money  
b) Tobin's demand for money  
c) Classical demand for money  
d) Friedman's modern quantity
7. \_\_\_\_\_ refers to a level of unemployment below which inflation rises.
- a) Non-accelerating inflation rate of unemployment  
b) Philips curve  
c) Classical unemployment  
d) None of these
8. For the money supply to be endogenous, one of the conditions to be fulfilled is
- a) Commercial banks must be able to obtain reserves on demand  
b) No inflation  
c) Policies followed must allow  
d) Growing economy

(8×1/2=4)

## PART – B

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

9. Explain liquidity trap.
10. What is tax multiplier ?
11. Write a note on quantity constrained models.
12. What are the factors that determine output and employment in the classical system ?
13. What property is shared by all points along the LM schedule ?



14. What variables will shift the position of the slope of IS curve ?
15. In what sense is vertical LM schedule a classical case ?
16. Explain relative income hypothesis.
17. Write a note on monetarism.

(8×2=16)

## PART – C

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

18. Write note on New Macro economics.
19. Explain foreign trade multiplier.
20. Explain classical dichotomy.
21. Explain Keynesian demand for money.
22. What is accelerator theory of investment ?
23. Discuss the policy frame in ISLM model.

(4×5=20)

## PART – D

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

24. Explain the Endogenous theory of supply of money.
25. Evaluate the relevance of permanent income hypothesis.
26. Explain the validity of life cycle hypothesis.
27. Evaluate the classical employment theory.

(2×10=20)