



Reg. No. :

Name :



I Semester M.A. Degree (Reg./Sup./Imp.) Examination, November 2015
ECONOMICS/APPLIED ECONOMICS/DEVELOPMENT ECONOMICS

(2014 Admn. Onwards)

ECO 1C02

Macro Economic Theory – I

Time : 3 Hours

Max. Marks : 60

PART – A

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

- Money has no real effect

a) Neutrality of money	b) Wealth effect
c) Consumption effect	d) Income effect
- Which of the following is also Keynesian Unemployment ?

a) Frictional	b) Voluntary
c) Structural	d) Involuntary
- Keynes argued that economy will in equilibrium at

a) Full employment
b) Under employment
c) Less than full employment
d) Frictional unemployment
- The distinctive feature of the new classical model is that the aggregate supply and labour supply schedule depend on the expected levels of

a) Money supply	b) Government spending
c) Tax collection	d) All the above

P.T.O.



5. In the _____ ISLM model the price level and rate of interest are endogenous variables.
- a) Classical b) Neo Classical
c) Keynesian d) Neo Keynesian
6. A movement along the AD-curve from left to right is equivalent to
- a) a shift of the IS-curve to the right due to a decrease in interest rates
b) a shift of the LM-curve to the right due to an increase in real money balances
c) a shift of the LM-curve to the right due to an increase in nominal money supply
d) a movement along the LM-curve from left to right due to lower real money balances
7. Milton Friedman proposed the
- a) Permanent income hypothesis b) Life-cycle hypothesis
c) Absolute income hypothesis d) Relative income hypothesis
8. Which of the following is not a determinant of autonomous investment ?
- a) income
b) the level of technology
c) the interest rate
d) expectations of future economic growth

(8x½=4)

PART – B

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

9. What is New macro Economics ?
10. What is meant by monetary base ?
11. Explain MEC.
12. What is Haavelmo effect ?
13. Explain classical dichotomy.
14. Explain Liquidity trap.
15. Explain Keynesian demand for money.
16. Explain consumption puzzle.



17. What is Tobins Q ratio ?
18. Explain Keynesian concept of money supply.
19. What is real balance effect ?

(8x2=16)

PART – C

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

20. Explain Keynesian income determination model in a four sector economy.
21. Explain how labour market and flexible prices can be incorporated in ISLM framework.
22. Discuss the financial theory of investment.
23. Explain Monetarism.
24. Explain Tobi's demand for money.
25. Explain Life cycle hypothesis.

(4x5=20)

PART – D

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

26. Discuss how Patinkin solved classical dichotomy using real balance effect.
27. Explain compare absolute income and relative income hypothesis.
28. Explain the theory of endogenous Money Supply.
29. Critically evaluate the classical theory of employment.

(2x10=20)