PART-D

Answer any **Two** questions. Each answer should not exceed **Six** pages.

(2×10=20)

24. Distinguish between New Classical macro-economics and New Keynesian macro-economics.

25. State and explain the financial theory of investment

26. Explain the IS-LM analysis of general macro-economic equilibrium.

27. 'Keynesian Economics deals with under-employment equilibrium'. Explain.

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Reg. No. : ....

Name : ....

I Semester M.A. Degree (CBSS-Reg./Suppl./Imp.)
Examination, October - 2019
(2014 Admission Onwards)
ECONOMICS/APPLIED ECONOMICS / DEVELOPMENT ECONOMICS
ECO1C02: MACRO ECONOMIC THEORY-1

Time : 3 Hours

Max. Marks : 60

PART - A

(Objective Type Questions)

(Write all the **Eight** Questions. Each question carries ½ Mark). (8×½=4)

1. In a simple Keynesian model, the open economy multiplier:
   a) Is greater in value than closed economy multiplier
   b) Is smaller in value than closed economy multiplier
   c) Is same as closed economy multiplier
   d) Cannot be compared to closed economy multiplier

2. According to Permanent Income hypothesis, the value MPS out of transitory income is:
   a) 0.5
   b) Zero
   c) 1
   d) 0.75

3. Demonstration effect means:
   a) Effect of advertisement
   b) Imitating effect of consumption
   c) Effect of entertainment
   d) Effect of an experiment

4. The following concept is not related to classical economics:
   a) Wage- price flexibility
   b) Laissez Faire
   c) Full employment
   d) Interest rate rigidity

5. Speculative demand for money is:
   a) Interest elastic
   b) Interest inelastic and insensitive to income
   c) Sensitive to income, but stable
   d) Positively related to interest rate

6. Saving and investment equilibrium in classical theory of employment is through:
   a) Say's law of market
   b) Flexible interest rate
   c) Level of income
   d) Investment

7. The LM curve is steeper when the demand for money responds:
   a) Weakly to income and strongly to interest rates
   b) Strongly to income weakly to interest rates.
   c) Negatively
   d) Positively

8. "Keynesianism as temporary deviation from the mainstream of scientific progress in economics". This view is held by:
   a) Supply side economics
   b) Monetarism
   c) Radicalism
   d) New monetarism

PART-B

Short Answer Type questions. Write any **Eight** questions. Each question carries **2** marks.   **(8×2=16)**

9. Explain the different measures of money supply.

10. What is Marginal Efficiency of Investment?

11. Narrate Crowding out effect.

12. What is Liquidity preference?

13. What is Multiplier?

14. What is meant by high powered money?

15. What is Rational Expectation?

16. Examine the instruments of monetary policy.

17. What is Money Illusion?

PART-C

Short essay Type questions. Write any **Four** questions. Each answer should not exceed two and half a page.   **(4×5=20)**

18. Explain the classical and Keynesian approach to demand for money.

19. Explain Friedman's re-statement of Quantity Theory of Money.

20. Explain balanced budget multiplier and foreign trade multiplier.

21. Explain the superiority of relative income hypothesis over absolute income hypothesis.

22. Define money multiplier and explain the money multiplier process in H theory.

23. Explain the extended IS-LM model with government sector.