



K21P 0442

Reg. No.:

Name :

**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 $\frac{1}{2}$ 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

(8x $\frac{1}{2}$ =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)