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Name..

Reg. No.....................................

FIRST SEMESTER M.A. DEGREE EXAMINATION, DECEMBER 2016

(CUCSS)

Economics

ECO 1C 02—MACROECONOMICS : THEORIES AND POLICIES—I

(2015 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Part A

Multiple Choice Questions.

Answer **all**. *Each carries ¼ Weightage.*

1. According to Irving Fisher's Model of Inter temporal choice in consumption the consumer reaches equilibrium when :

   (a) MRS = 1 + r.
   (b) MRS = 1/1 + r.
   (c) PX/PY = MRS.
   (d) MRS = PX/1 + r.

2. As per the "q" theory of investment firm's can increase their stock by purchasing new capital only when :

   (a) $q < 1$.
   (b) $q = 1$.
   (c) $q > 1$.
   (d) $q < 0$.

3. An increase in the tax imposed by the government on personal income shifts IS curve to :

   (a) Right.
   (b) Left.
   (c) Does not shift.
   (d) Cannot be determined.

4. Which of the following refers to High powered money :

   (a) C + D.
   (b) D + R.
   (c) C + kD + tD.
   (d) C + R.

5. According to Baumol, The transaction demand for money is interest :

   (a) Inelastic.
   (b) Elastic.
   (c) Infinite elastic.
   (d) Unitary elastic.

6. The nature of LM curve corresponding to liquidity trap is :

   (a) Vertical.
   (b) Rising upward.
   (c) Horizontal.
   (d) Falling from left to right.

Turn over

7. The term accelerator refers to the ratio of :
   (a) Output to capital stock.
   (b) Output to Money supply.
   (c) Market value of capital to replacement cost of capital.
   (d) Capital stock to output.
8. The portfolio approach to the demand for money is related to which of the following :
   (a) Transaction demand. (b) Speculative demand.
   (c) Active demand. (d) Precautionary.
9. Which of the following is not a monetary policy instrument :
   (a) CRR. (b) Repo Rate.
   (c) Pump priming. (d) Moral Suasion.
10. The user cost of capital is :
   (a) Nominal rate of interest.
   (b) Nominal rate of interest with depreciation.
   (c) Real Interest rate.
   (d) Real rate of interest plus depreciation.
11. According to permanent income hypothesis, the marginal propensity to consume out of income is :
   (a) Equal to one. (b) Fairly close to one.
   (c) Fairly Close to zero. (d) Indeterminate.
12. The real balance effect was propounded by :
   (a) Robert Lucas. (b) Karl Marx.
   (c) Don Patinkin. (d) A.C Pigou.

(12 × ¼ =

Part B (Very Short Answer Questions)

Answer any **five** *questions.*
Each carries 1 *weightage.*

3. What is Pigou effect ?

Examine the inconsistency of say's law with the quantity theory of money.

What is crowding out effect ?

16. Distinguish between inside money and outside money.
17. What is money multiplier ?
18. Briefly explain the one sector neoclassical model.
19. What is meant by classical dichotomy ?
20. Distinguish between target variable and instrument variable.

(5 × 1 = 5 weightage)

Part C (Short Answer Questions)

Answer any **eight** *questions.*
Each carries 2 *weightage.*

21. Briefly explain the Cambridge Cash Balance approach.
22. What is real balance effect ?
23. Explain the Radcliff - Sayers Thesis.
24. What are the objectives of macroeconomic policies ?
25. Explain the absolute income hypothesis.
26. Explain Tobin's q ratio.
27. Explain the various measures of money supply.
28. Briefly explain Friedman's restatement of quantity theory of money.
29. Explain Baumol's square root equation.
30. Explain Samuelson's overlapping generations model.
31. Explain the behavioural model of money supply determination.

(8 × 2 = 16 weightag

Part D (Multiple Choice Questions)

Answer any **four** *questions.*
Each carries 3 *weightage.*

32. Critically examine whether the permanent income hypothesis and life cycle hypothesis could so the consumption puzzle.
33. Explain the three sector ISLM model.
34. Explain Irving Fischer's theory of inter temporal choice of Consumption.
35. Explain how Milton Friedman reinforced the credibility of the quantity theory of money.
36. Explain the 'H' theory of money supply determination.

(4 × 3 = 12 weigh

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