



9. What is the multiplier when  $C = 250 + 0.75Y$ ?  
 (a) 0 (b) 0.25 (c) 2 (d) 4
10. An expansionary fiscal policy is:  
 (a) Low tax and high public expenditure (b) High tax and high public expenditure  
 (c) High tax and low public expenditure (d) All the above
11. An economy operates below its potential output and growth rate is termed as .....  
 (a) Inflation (b) Deflation (c) Stagnation (d) Stagflation
12. The demand for money is:  
 (a) Positively related to income and rate of interest  
 (b) Negatively related to income and rate of interest  
 (c) Negatively related to income and positively to rate of interest  
 (d) Positively related to income and negatively to rate of interest
13. Over investment theory of business cycle is associated with:  
 (a) Paul Samuelson (b) Schumpeter (c) J M Keynes (d) Hayek
14. An aggregate supply curve depicts the relationship between:  
 (a) The price level and the aggregate quantity supplied  
 (b) The price level and the aggregate quantity demanded  
 (c) Household expenditures and household income  
 (d) The price level and nominal GDP
15. What is the shape of Philips curve at NAIRU?  
 (a) Downward slope (b) Upward slop  
 (c) Vertical straight line (d) Horizontal straight line

(15 × 1/5 = 3 weightage)

**Part B: Very short answer questions. Answer any five questions. Each carries one weightage.**

16. Briefly explain Tobin's q-ratio.
17. Examine monetarist approach to inflation,
18. Explain the factors that determine the slope of the IS and LM curves.
19. Discuss innovation theory of Schumpeter,
20. Explain demonstration effect,
21. Distinguish between target variable and instrument variable.
22. Write a short note on augmented Phillips curve.
23. Explain the crowding out effect.

(5 × 1 = 5 weightage)

**Part C: Short answer questions. Answer any *seven* questions. Each carries *two* weightage.**

24. Explain the time inconsistency problem of economic policy.
25. Examine behavioural model of money supply.
26. Examine Kuznets consumption puzzle over Keynesian absolute income hypothesis.
27. Discuss rational expectation hypothesis.
28. Examine flexible accelerator model of investment.
29. Briefly explain real business cycle theory.
30. Examine the effectiveness of fiscal policy in an IS LM framework.
31. Explain the components of money supply in India.
32. Examine the effectiveness of rule based and discretionary role of central banks.
33. What are the objectives of monetary policy?

**(7 × 2 = 14 weightage)**

**Part D: Essay questions. Answer any *two* questions. Each carries *four* weightage.**

34. Explain the neoclassical theory of investment.
35. Discuss how the original Phillips curve was modified by Milton Friedman incorporating the concept of expectation.
36. Examine the significance of macro-economic policies as stabilization policy in the context of Indian economy.
37. Explain inventory transaction approach of demand for money developed by Baumol.

**(2 × 4 = 8 weightage)**