(3 Pages)

FIRST SEMESTER M.A. DEGREE EXAMINATION, NOVEMBER 2021 (Regular/Improvement/Supplementary)

ECONOMICS

FECO1C02-MACROECONOMICS: THEORIES AND POLICIES-I

Time: 3 Hours

Maximum Weightage: 30

Pa	rt A: Multiple choice questions.	Answer all question	ns. Each carries	$^{1}/_{5}$ weightage.			
1.	Ratchet effect is related with						
	(a) Keynes	(b) Duessenbery	(c) Friedman	(d) Modigliani			
2.	The term 'idle cash balance', according to Keynes is holding of money for						
	(a) Transaction motive	(b) Precautionary m					
	(c) Speculative motive	(d) None of these					
3.	The first country which adopted inflation targeting is						
	(a) India	(b) New Zealand	(c) USA	(d) France			
4.	One percentage decrease in the unemployment rate is associated with three percentage growth in real GDP is termed as						
	(a) GDP deflator	(b) Okun's l	Law				
	(c) Natural rate of unemploym	ent (d) None of	these				
5.	Unemployment which is the outcome of job search by both workers and employers is						
	(a) Frictional unemployment	(b) Structura	al unemployment				
	(c) Seasonal unemployment	(d) None of	one of the above				
6.	The inter-temporal substitution model is associated with						
	(a) Friedman	(b) Fisher	(c) Tobin	(d) Keynes			
7.	IS function shift to right, when investment function shifts						
	(a) forward	(b) backward					
	(c) remain the same	(d) none of these					
8.	At full employment level of output, the aggregate supply function in the Keynesian ISLM						
	model becomes:						
	(a) Perfectly elastic at fixed price						
	(b) Perfectly elastic at flexible price						
	(c) Perfectly inelastic at fixed price						

(d) Perfectly inelastic at flexible price

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(c) High tax and low public expenditure			(b) High tax and high 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	n ((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 Keyne	es ((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 sl	op				

(c) Vertical straight line (d) Horizontal straight line

 $(15 \times \frac{1}{5} = 3 \text{ weightage})$

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.

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?

$(7 \times 2 = 14 \text{ weightage})$

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.

 $(2 \times 4 = 8 \text{ weightage})$