D 52657 (Pages : 4) Name...

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

FIRST SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, NOVEMBER 2023

(CBCSS)

Economics

ECO 1C 02—MACRO ECONOMICS : THEORIES AND POLICIES—I

(2019 Admission onwards)

Time : Three Hours   Maximum : 30 Weightage

Part A (Multiple Choice Questions)

Answer **all** *questions.*

Each question carries a weightage of 1/5.

1. The user cost of capital is :

    (a) Nominal interest rate.

    (b) The real interest rate.

    (c) Real interest rate plus rate of depreciation.

    (d) The nominal interest rate plus rate of depreciation.

2. According to quantity theory of money an increase in nominal money supply :

    (a) Causes a proportional change in price level.

    (b) No change in price level.

    (c) A change in relative prices.

    (d) A fall in price level.

3. In IS- LM model, under usual Keynesian assumption, an increase in government spending will cause :

    (a) Income to rise and rate of interest to remain unchanged.

    (b) Income to rise and rate of interest to fall.

    (c) Both income and rate of interest to rise.

    (d) Income to remain unchanged and rate of interest to fall.

Turn over

4. There are four phases of a business cycle. Identify the correct sequence of the occurrence of these phases :

   (a) Revival, Recession, Expansion, Contraction.

   (b) Revival, Expansion, Contraction, Recession.

   (c) Contraction, Expansion, Recession, Revival.

   (d) Revival, Expansion, Recession, Contraction.

5. According to the Phillips curve, unemployment will return to the natural rate when :

   (a) Nominal wages are equal to expected wages.

   (b) Real wages are back at long-run equilibrium level.

   (c) Nominal wages are growing faster than inflation.

   (d) Inflation is higher than the growth of nominal wages.

6. Okun's law related with :

   (a) Unemployment and growth rate.

   (b) Inflation and growth rate.

   (c) Wage lose.

   (d) None.

7. According to LCH, Consumption is related with :

   (a) Current income.   (b) Expected life time income.

   (c) Price expectation.   (d) Nominal Income.

8. If the economy is operating at potential GDP, an increase in money supply will lead to :

   (a) Stagflation.   (b) Structural inflation.

   (c) Demand-side inflation.   (d) Supply-side inflation.

9. The rate of net investment spending per time period depends on steepness of the downward slope of :

   (a) Marginal efficiency of capital schedule.

   (b) Marginal efficiency of investment schedule.

   (c) IS-schedule.

   (d) LM schedule.

10. For particular high values of marginal propensity to consume and the accelerator co-efficient, explosive non-oscillatory cycles will occur in the model of the business cycle propounded by :

    (a) N. Kaldor.   (b) Hawtrey.

    (c) P.A. Samuelson.   (d) J.R. Hicks.

11. Margin requirements is :

    (a) Fiscal policy instrument.   (b) Monetary policy instrument.

    (c) Income policy instrument.   (d) None of these.

12. According to Keynes investment is determined :

    (a) Rate of interest.   (b) Prospective yield.

    (c) MEC.   (d) All the above.

13. Liquidity trap exist when :

    (a) Demand for money is perfectly inelastic.

    (b) Demand for money is perfectly elastic.

    (c) Demand for money is related with interest rate.

    (d) There is a transaction demand for money.

14. Increase in Government expenditure shift IS curve to :

    (a) Right.   (b) Left.

    (c) No change.   (d) Any of these.

15. Who propounded Psychological law of consumption ?

    (a) Adam Smith.   (b) Ricardo.

    (c) Keynes.   (d) Pigou.

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

Part B (Very Short Answer Questions)

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

16. Explain the Taylor rule.

17. Consumption function.

18. Adaptive expectation hypothesis.

Turn over

19. Okun's law.

20. Political business cycle theory.

21. Money multiplier.

22. Explain Central bank autonomy.

23. Describe Marginal Efficiency of Investment.

(5 × 1 = 5 weightage)

Part C (Short Answer Questions)

Answer any **seven** *questions.*
Each question carries 2 *weightage.*

24. Analyse Fisher's Inter-temporal choice model.

25. Discuss the expectation- augmented Philips curve.

26. Discuss the Innovation theory of Schumpeter

27. Write a note on the Tobins q-ratio of investment.

28. Explain Keynesian and Monetarist approach of inflation

29. Explain the cash balance approach to the quantity theory of money.

30. Write a note on Hick's theory of trade cycles.

31. Describe the Ricardian equivalence theory.

32. Define rental cost of capital. What are the factors affecting rental cost of capital ?

33. What are the instruments of fiscal policy ?

(7 × 2 = 14 weightage)

Part D (Essay Questions)

Answer any **two** *questions.*
Each question carries 4 *weightage.*

34. Explain the relative effectiveness of monetary and fiscal policy using IS-LM framework.

35. Elaborate the ideas of the Relative income and Permanent income hypothesis.

36. Critically examine the monetary theory of Hawtrey.

37. Explain the role of Macroeconomic policies with special reference to fiscal and monetary policy.

(2 × 4 = 8 weightage)