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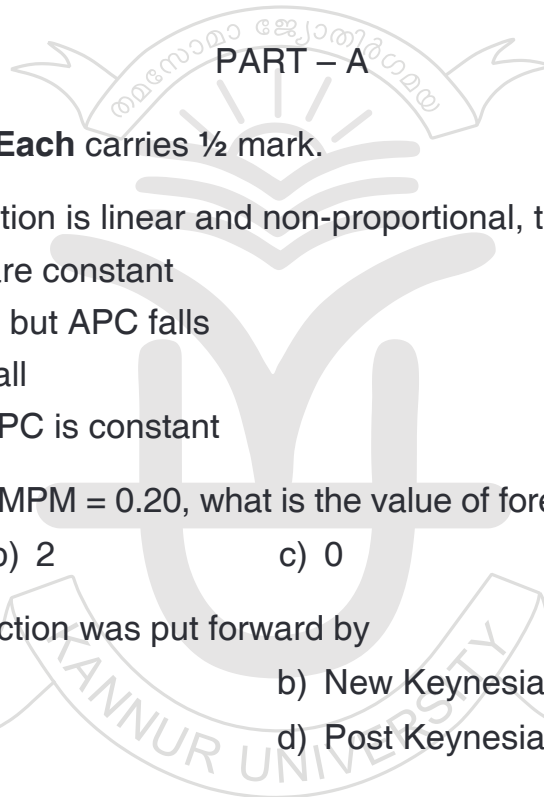
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I Semester M.A. Degree (CBSS – Reg./Supple./Imp.) Examination, October 2021
(2018 Admission Onwards)
ECONOMICS/APPLIED ECONOMICS/DEVELOPMENT ECONOMICS
ECO1C02 : Macro Economic Theory – I

Time : 3 Hours   Max. Marks : 60

PART – A

Answer **all** questions. **Each** carries ½ mark.

1. If consumption function is linear and non-proportional, then
    a) MPC and APC are constant
    b) MPC is constant but APC falls
    c) MPC and APC fall
    d) MPC falls and APC is constant

2. Given MPC = 0.70, MPM = 0.20, what is the value of foreign trade multiplier ?
    a) 1   b) 2   c) 0   d) 1.1

3. Surprise supply function was put forward by
    a) New Classicals   b) New Keynesians
    c) Neo Keynesians   d) Post Keynesians

4. A rise in the government spending causes the
    a) IS curve to shift to the right   b) IS curve to shift to the left
    c) LM curve to shift to the right   d) LM curve to shift to the left

5. A rise in money supply causing a proportionate rise in nominal variables leaving real variables constant is referred to as
    a) Classical dichotomy   b) Neutrality of money
    c) Real Balance effect   d) Wealth effect

P.T.O.

6. According to Milton Friedman, the demand for money function is
   a) Unstable
   b) Stable
   c) Random
   d) Neither stable nor unstable

7. When LM curve is vertical, then
   a) Monetary and fiscal policies are ineffective
   b) Monetary policy is effective but fiscal policy is ineffective
   c) Monetary policy is ineffective but fiscal policy is effective
   d) None of the above

8. Who among the following propounded liquidity preference theory ?
   a) Milton Friedman
   b) Franco Modigliani
   c) Robert Hall
   d) J.M. Keynes   (8×½=4)

PART – B

Answer **any eight** questions. **Each** carries **two** marks.

9. Balanced budget multiplier.

10. Tobin's q ratio.

11. Distinguish between proportional and non-proportional consumption function.

12. Menu costs.

13. Sacrifice ratio.

14. MEC.

15. High powered money.

16. Distinguish between permanent income and transitory income.

17. Ratchet effect.

18. Keynesian cross.

19. Accelerator.   (8×2=16)

PART – C

Answer **any four** questions. **Each** carries **five** marks.

20. Discuss Baumol's theory of demand for money.

21. Explain inter-temporal choice in consumption.

22. Explain Keynesian theory of income determination in 3 sector model.

23. How does Patinkin resolve the inconsistencies and invalidities of the Classical Monetary theory ?

24. Explain the shifts in the IS and LM curves.

25. What are the contributions of the New Keynesian School ?　　　　(4×5=20)

PART – D

Answer **any two** questions. **Each** carries **10** marks.

26. Discuss the Classical and Keynesian views on labour market.

27. Explain Permanent Income Hypothesis. How does it resolve the consumption puzzle ?

28. Discuss the propositions of the New Classical School.

29. Explain behavioural model of money supply.　　　　(2×10=20)

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