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I Semester M.A. Degree (CBSS-Reg./Sup./Imp.) Examination, October 2022 (2019 Admission Onwards) ECONOMICS/APPLIED ECONOMICS/DEV. ECONOMICS ECO1C02: Macro Economic Theory – 1

Time: 3 Hours Max. Marks: 60

PART - A

Answer all questions. Each carries ½ mark.

- 1. Keynesian theory of employment is applicable to
 - A) Deficiency of capital resources
- B) Deficiency of effective demand
- C) Chronic unemployment
- D) Economic growth
- 2. Say's law will not operate under conditions of
 - A) Barter system

- B) Money economy
- C) Equality of saving and investment
- D) Inflexible prices and wages
- 3. The operation of multiplier is adversely affected by
 - A) Involuntary unemployment
 - B) Industrial economy
 - C) Imports
 - D) Elastic supply of capital and other factors
- 4. Life cycle hypothesis shows
 - A) Non-proportional relationship between consumption and income in the long run
 - B) Proportional relationship between consumption and income in the short run
 - C) Proportional relationship between consumption and income in the long run but non-proportional relationship in the short run
 - D) Proportional relationship both in the long run and short run



For the purpose of investment, the prospective yield in relation to supp should be	ly price
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A) Less

B) More

C) Equal

- D) Indifferent
- 6. New classical economists asserts that markets clear instantaneously because
 - A) There is disequilibrium in the short run only
 - B) There is no disequilibrium in the short run
 - C) Output and employment change in response to change in price level
 - D) Output is affected by changes in monetary policy
- 7. The money supply will be high with the higher
 - A) Supply of high-powered money
 - B) Currency ratio
 - C) Require reserve ratio
 - D) Excess reserve ratio
- 8. The transaction demand for money is
 - A) Inversely related to the level of income
 - B) Directly related to interest rates
 - C) Inversely related to high interest rates
 - D) None of these

 $(8 \times \frac{1}{2} = 4)$

PART - B

Answer any eight questions. Each carries two marks.

- 9. Give the meaning of balance budget multiplier.
- 10. What is meant by goods market equilibrium?
- 11. What is meant by consumption puzzle?
- 12. Write a note on investment demand.
- 13. What are the various attributes of consumption function?
- 14. Give the meaning of supply price.

- 15. What is liquidity trap?
- 16. Write a note on Pigou effect.
- 17. What is high powered money?
- 18. Distinguish between active cash balance and passive cash balance.
- 19. Write a note on monetarism.

 $(8 \times 2 = 16)$

PART - C

Answer any four questions. Each carries five marks.

- 20. Briefly explain the working of investment multiplier.
- 21. Explain Keynes' views on money wages and employment.
- 22. Examine the accelerator theory of investment.
- 23. Explain the Relative Income Hypothesis.
- 24. Briefly explain the measure to control money supply.
- 25. Explain Baumol's theory of demand for money.

 $(4 \times 5 = 20)$

PART - D

Answer any two questions. Each carries ten marks.

- 26. Evaluate the working of the foreign trade multiplier.
- 27. With a suitable diagram explain the general equilibrium analysis.
- 28. Critically analyse the Permanent Income Hypothesis.
- 29. What is money multiplier? Derive the equation of the money multiplier. $(2\times10=20)$