## SECOND SEMESTER B.A. DEGREE EXAMINATION, APRIL/MAY 2013

### (CCSS)

### Economics

### EC 2B 02—MACROECONOMICS—I

Time : Three Hours                                                                 Maximum : 30 Weightage

I. Objective Type Questions. Answer all *twelve* questions :—

(A) Multiple Choice Questions :—

    1  Which macroeconomic model holds wage as rigid downward ?

        (a)  Classical.

        (b)  Keynesian.

        (c)  Both Classical and Keynesian.

        (d)  Neither Classical nor Keynesian.

    2  Variable explained by an economic theory :

        (a)  Exogenous variable.      (b)  Micro variable.

        (c)  Macro variable.        (d)  Endogenous variable.

    3  Classical dichotomy is the result of :

        (a)  Neutrality of money.      (b)  Real balance effect.

        (c)  Laissez fair policy.      (d)  Perfect competition.

    4  A typical Keynesian consumption function is :

        (a)  Proportional and Linear.

        (b)  Non-proportional and non-linear.

        (c)  Linear and Non-proportional.

        (d)  Non-linear and Proportional.

(B) Fill in the blanks :—

    5  ——— is a sustained upward movement in the aggregate price level, shared by most products.

    6  ——— is a rise in the value of one nation's currency relative to the currency of another nation.

7  In keynesian economics MEC is determined by Supply price of capital asset and ————.

8  Pigou suggested that unemployment can be decreased through a general ———— cut.

(C)  Name the following :—

9  The effect of an increase in government spending or a reduction of tax rates in reducing the amount of one or more other components of private expenditures.

10  The stimulus to aggregate demand caused by a decline in the rate of interest.

11  The curve that identifies the combinations of income and interest at which the money market is in equilibrium.

12  The ratio of change in income to change in planned autonomous investment that.

(12 × ¼ = 3  weightage)

II.  Short Answer Type Questions. Answer *all Nine* questions :

13  What is meant by stagflation ?

14  Distinguish between GNP and NNP.

15  Define precautionary motive for money.

16  Distinguish between endogenous and exogenous variables.

17  What is meant by liquidity trap ?

18  Distinguish between transaction and speculative demand for money.

19  Define and state the Keynesian consumption function.

20  What is meant by cold turkey ?

21  Explain the role of fiscal policy and fine-tuning in Keynesian Economics.

(9 × 1 = 9  weightage)

III.  Short Essay or Paragraph Questions . Answer any *five* questions from seven.

22  Explain the role of aggregate demand and aggregate supply in Keynesian and Classical models.

23  Explain the differences in Classical and Keynesian views on interest.

24  Explain the Cambridge approach to Quantity Theory of Money.

25  Distinguish between full employment and underemployment equilibrium.

26  'Money is only a medium of exchange'. Comment on this statement.

27  'State is a necessary evil'. Comment and criticise.

28  Explain the Life Cycle Hypothesis and Permanent Income Hypothesis.

(5 × 2 = 10  weightage)

IV. Essay Questions (Answer *two* questions from three).

29 Explain the derivation of IS and LM curves and the integration of real and monetary sectors of the economy.

30 Explain the classical model of output and employment determination.

31 Find the equilibrium level of income, given the following data related to Keynesian underemployment equilibrium model :—

   (a) Autonomous consumption (a) = $ 100/-

   (b) Autonomous investment (Io) = $ 20 /-

   (c) MPC (b) = 80 %.

(2 × 4 = 8 weightage)