

FIFTH SEMESTER B.A. DEGREE EXAMINATION, NOVEMBER 2017

(CUCBCSS—UG)

Economics

ECO 5B 07—MACRO ECONOMICS—I

Time : Three Hours

Maximum : 80 Marks

*Answer may be written either in English or in Malayalam.***Part A***Answer all questions.**Each question carries ½ mark.*

1. Micro Economics and Macro Economics are :

(a) Mutually Exclusive.	(b) Independent of each other.
(c) Interdependent.	(d) Competitive to each other.
2. Which of the following is incorrect ?

(a) $GDP_{mp} = GDP$ at factor cost plus net indirect taxes.
(b) $NNP_{fc} = NNP$ at market prices minus net indirect taxes.
(c) $GNP_{mp} = GDP$ at market prices plus net factor income from abroad.
(d) None of the above.
3. Keynesian Unemployment is :

(a) Voluntary.	(b) Cyclical.
(c) Structural.	(d) Involuntary.
4. In the equation $p = mv + m'v/T$, which element is not assumed to be constant :

(a) p.	(b) b.
(c) m.	(d) T.
5. If during a year NI at constant prices goes up by 7%, while prices also rise by 7% and population registers a growth of 2%. Then the real income will :

(a) Remain constant.	(b) Rises by 5%.
(c) Fall by 5%.	(d) Rises by 3.5%.

Turn over

6. Which of the following is not a determinant of autonomous investment?
- (a) Income. (b) Level of technology.
(c) Interest rate. (d) Expectations of future economic growth.
7. According to _____ NI is the net aggregate of commodities and services produced by a country in a year.
- (a) Baumol (b) Alfred Marshall.
(c) Kuznets. (d) Pigou.
8. Life Cycle Income was proposed by :
- (a) Milton Friedman. (b) Franco Modigliani.
(c) J.M. Keynes. (d) J.S. Duesenberry.
9. The rate of change in income as a result of change in investment, is defined as :
- (a) MPC. (b) MPS.
(c) Multiplier. (d) Accelerator.
10. In the long run, the Keynesian aggregate supply curve is :
- (a) Downward sloping because product prices are fixed.
(b) Upward sloping because factor prices are fixed.
(c) Vertical because rate of unemployment is fixed.
(d) Horizontal because the price level is fixed.
11. Who first introduced the concept of Effective Demand ?
- (a) J.M Keynes. (b) Pigou.
(c) Thomas Robert Malthus. (d) Alfred Marshall.
12. If money has no real effect, it is called :
- (a) Neutrality of money. (b) Real effect.
(c) Consumption effect. (d) Income effect.

(12 × ½ = 6 marks)

Part B (Very Short Answer Questions)

Answer any ten questions.

Each question carries 2 marks.

13. Distinguish between Autonomous Investment and Induced Investment ?
14. State Pigou Effect ?

15. Fishers equation of exchange.
16. Classical Dichotomy.
17. Functional Finance.
18. Exante and Expost variable.
19. Ratchet Effect.
20. Define gross domestic product ?
21. Inflationary and Deflationary Gap.
22. Bring about the technical attributes of Keynesian consumption function ?
23. Distinguish between Micro and Macro Economies.
24. Define MEC.

(10 × 2 = 20 marks)

Part C (Short Essay Questions)

*Answer any six questions.
Each question carries 5 marks.*

25. Explain the theory of Comparative static equilibrium ?
26. Explain the Keynesian income determination in four sector economy.
27. Explain the Life Cycle Hypothesis.
28. Calculate NI by using the following data.

	Income
1. Compensation of employees	4,000
2. Government Purchases	1,000
3. Net indirect taxes	400
4. Interest and Profits	3,000
5. Net exports	600
6. Gross business fixed Investment	3,000
7. Personal consumption expenditure	10,500
8. Inventory investment	500
9. Net factor income from abroad	600
10. Consumption of fixed capital	2,000
11. Mixed income of the self-employed	5,000

Turn over

29. Discuss the view that 'saving is a leakage' in the Keynesian Theory.
30. Explain the comparative static and dynamic equilibrium.
31. Explain the national income concepts and their inter-relationship?
32. Explain the objectives of fiscal policy?

(6 × 5 = 30 marks)

Part D (Essay Questions)

*Answer any two questions.
Each question carries 12 marks.*

33. Explain the model of income determination in a three sector economy.
34. Explain the relationship between national income and national welfare and also state the limitations of national income as a measure of national welfare.
35. Explain quantity theory of money and its modification.
36. Classical model of output and employment determinants.

(2 × 12 = 24 marks)

1.1	Mean income of the self-employed
1.2	Composition of total output
1.3	The flow income from abroad
1.4	Inventory investment
1.5	Personal consumption expenditure
1.6	Government expenditure
1.7	Government revenue
1.8	Government expenditure
1.9	Government revenue
1.10	Government expenditure
1.11	Government revenue