# FIRST SEMESTER M.A./M.Sc./M.Com. DEGREE EXAMINATION DECEMBER 2019

## (CUCSS)

### Economics

### EC 01 C02—MACRO ECONOMICS : THEORIES AND POLICIES—I

### (2015 Admissions)

Time : Three Hours            Maximum : 36 Weightage

## Part A (Multiple Choice Questions)

*Answer all questions.*
*Each question carries ¼ weightage.*

1. If the investment multiplier is 4, the relevant consumption is given by :

   (a) $c = 28 + 0.75 y$.

   (b) $c = -28 + 0.78 y$.

   (c) $28 + .70 y$.

   (d) $c = 28 + 0.40 y$.

2. When the intrinsic value of money all its face value are called :

   (a) Token money.

   (b) Full bodied money.

   (c) Quasi money.

   (d) Fiat money.

3. According to Keynes , interest is related to :

   (a) Money supply.

   (b) Money demand.

   (c) Saving.

   (d) National income.

4. If gross investment falls to zero , national income does not falls to zero because of :

   (a) Consumption.

   (b) Production.

   (c) Multiplier.

   (d) Accelerator.

5. At very low rate of interest, LM curve is perfectly elastic it is known as :

   (a) Classical range.

   (b) Keynesian range.

   (c) Intermediate range.

   (d) None of these.

6. The Gurley Shaw thesis is related with :

    (a)   The role of money.

    (b)   The role of central bank.

    (c)   The role of financial intermediaries.

    (d)   The role of commercial bank.

7. The APC declines as Y increases, the consumption function is said to be :

    (a)   Linear.               (b)   Non-linear.

    (c)   Proportional .       (d)   Non-proportional.

8. Near money :

    (a)   Is almost same theory as money.

    (b)   Is money itself.

    (c)   Is money only in a limited sense.

    (d)   Is not money at all.

9. The optimum capital stock is achieved when the user cost capital is equal to :

    (a)   Interest rate.

    (b)   The depreciation rate.

    (c)   The marginal product of capital.

    (d)   Tobin's Q.

10. Fishers theory believed the value of money to be determined by the :

    (a)   Elasticity of demand.      (b)   Levels of investment.

    (c)   Quantity of money.       (d)   Velocity of money

11. When a linear consumption function undergoes a parallel shift downwards, the inverted multiplier will :

    (a)   Fall.              (b)   Rise marginally.

    (c)   Remain as before.      (d)   Become a double.

12. Velocity of money is assumed to be constant by :

    (a)   Keynes.          (b)   Classicals.

    (c)   Hansen.          (d)   ISLM theory.

$(12 \times \frac{1}{4} = 3$ weightage$)$

## Part B (Very Short Answer Questions)

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

13. Explain accelerator.

14. Pigou effect.

15. Explain money multiplier.

16. Cost push inflation.

17. Ratchet effect.

18. Money illusion.

19. Permanent income.

20. Inter-temporal choice of consumption.

(5 × 1 = 5 weightage)

## Part C (Very Short Answer Questions)

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

21. Explain measures of money supply.

22. Discuss basic themes of monetarism.

23. Explain the transactions demand for money.

24. Explain the target and instrument variable.

25. Explain the insider and outsider model.

26. Explain Real balance effect.

27. Explain the important limitations of the basic ISLM model.

28. What is meant by the monetary base ?

29. Explain liquidity trap with the help of LM curve.

30. Explain in a Keynesian perspective how fiscal policy can be used to cure depression and unemployment.

31. Explain accelerator theory of investment.

(8 × 2 = 16 weightage)

## Part D (Essay Questions)

*Answer any* **four** *questions.*

*Each question carries 3 weightage.*

32. Discuss Tobin q theory of investment.

33. Compare and contrast Baumol, Tobin and Friedman's theory of demand for money.

34. Explain with help of ISLM curve model role of fiscal policy in overcoming recession in the economy.

35. Critically evaluate life cycle hypothesis.

36. Discuss monetary policy.

(4 × 3 = 12 weightage)