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Name...................................

B.A. DEGREE (C.B.C.S.S.) EXAMINATION, MARCH 2014

Sixth Semester

B.A. Economics

Core Course—MACRO ECONOMIC ANALYSIS

Time : Three Hours Maximum Weight : 25

Answers may be written **either** *in English* **or** *in Malayalam.*

Part A (Objective Type Questions)

Each Bunch of **four** *questions carries weight* 1.

I. 1 Consumption = *f* (current income). This relation has been proposed by :

(a) Duessenberry. (b) Milton Freedman.

(c) J.M. Keynes. (d) Modigliani.

2 When current income temporarily rises above permanent income, the average propensity to consume :

(a) Falls. (b) Rises.

(c) APC will not be affected. (d) First falls and later rises.

3 Induced consumption is related to :

(a) Income. (b) Saving.

(c) Prices. (d) Population.

4 MPC is :

(a) $\Delta C/\Delta Y$. (b) C/Y.

(c) $\Delta Y/\Delta C$. (d) Y—S.

II. 5 Upward shift in investment function occurs due to :

(a) Improvement in Technology.

(b) Increase in Population.

(c) Favourable Govenment Policies.

(d) All the above.

Turn over

6 Investment is a function of :

(a) Rate of Interest. (b) Level of Income.

(c) Policy Environment. (d) All of these.

7 Acceleration Principle of Investment is Propounded by :

(a) J.M. Keynes. (b) J.M. Clark.

(c) J.R. Hicks. (d) F.A. Kahn.

8 In investment activity, the role of inventory is :

(a) Production smoothening. (b) As a factor of production.

(c) Stock-out avoidance. (d) All the above.

III. 9 A decrease in the reserve ratio leads to :

(a) A decrease in money multiplier.

(b) Increase in money multiplier.

(c) Decrease in monetary base.

(d) Increase in monetary base.

10 Baumol-Tobin model predicts that demand for money depends :

(a) Positively on Expenditure. (b) Negatively on the interest rate.

(c) Both (a) and (b). (d) None of these.

11 Money that has no intrinsic value is called :

(a) Commodity money. (b) Fiat money.

(c) Bank money. (d) Reserve money.

12 The sum of currency and bank reserve constitute :

(a) Reserve ratio. (b) Money multiplier.

(c) Monetary base. (d) Broad money.

IV. 13 Inflation resulting from shocks to aggregate supply is :

(a) Demand pull inflation. (b) Cost-push inflation.

(c) Hyper inflation. (d) Creeping inflation.

14 Hicks and Hansen developed :

(a) Trade cycle. (b) Acceleration principle.

(c) IS—LM. (d) Liquidity trap.

15 Monetary theory of trade cycle was developed by :

(a) Hawtrey. (b) Schumpeter.

(c) Samuelson. (d) Hicks.

16 ISLM model is a :

(a) General equilibrium model. (b) Partial equilibrium model.

(c) Static model. (d) None of these.

(4 × 1 = 4)

Part B (Short Answer Questions)

Answer any **five** *questions not exceeding* 50 *words each.*
Each question carries 1 *weight.*

17 Permanent income.

18 Marginal efficiency of capital.

19 Demand for money.

20 Phillips Curve.

21 Trade Cycle.

22 Crowding out.

23 LM curve.

24 Monetary policy.

(5 × 1 = 5)

Part C (Short Essays)

Answer any **four** *questions not exceeding* 150 *words each.*
Each question carries 2 *weight.*

25 Absolute income hypothesis.

26 Objective factors influencing consumption.

27 Investment function.

28 Dampeners on the accelerator.

29 Measures of money supply in India.

30 Explain Keynisian trade cycle.

(4 × 2 = 8)

Part D (Long Essays)

Answer any **two** *questions not exceeding* 450 *words each.*
Each question carries 4 *weight.*

31 Explain the life cycle hypothesis.

32 Explain post Keynisian approaches to the demand for money.

33 Explain the suitability of Monetary and Fiscal Policies in the context of ISLM model.

$(2 \times 4 = 8)$