

D 30275

(Pages : 3)

Name.....

Reg. No.....

**FIFTH SEMESTER (CUCBCSS—UG) DEGREE EXAMINATION
NOVEMBER 2022**

Economics

ECO 5B 07—MACRO ECONOMICS—I

(2017—2018 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A (Objective Type Questions)*Answer all twelve questions.**Each question carries ½ mark.*

1. Equation of Exchange is associated with :
 - a) Keynes.
 - b) J B Say.
 - c) Fisher.
 - d) Friedman.
2. What is the value of multiplier when MPC is 0.4 ?
 - a) 0.6.
 - b) 1.0.
 - c) 1.67.
 - d) 2.5.
3. According to Keynes, ————— is the cause of involuntary unemployment.
 - a) Wage rigidity.
 - b) Wage flexibility.
 - c) Changes in interest rate.
 - d) Speculative demand for money.
4. Which among the following is *not* a component of aggregate demand ?
 - a) Consumption.
 - b) Investment.
 - c) Government spending.
 - d) Net factor income from abroad.
5. GNP deflator is equal to the :
 - a) Nominal GNP divided by the real GNP.
 - b) Real GNP divided by the Nominal GNP.
 - c) Nominal GNP divided by the real GNP multiplied by 100.
 - d) Real GNP divided by the Nominal GNP multiplied by 100.

Turn over

6. Real balance effect theory is based on the following assumptions *except* :
- a) Money could not change the real magnitudes of economic variables.
 - b) All prices are flexible.
 - c) No distribution effect exists.
 - d) There is money illusion.
7. The theory of employment multiplier was propounded by :
- a) Keynes.
 - b) Kahn.
 - c) Hansen.
 - d) Marshall.
8. Which among the following is a flow variable ?
- a) Income.
 - b) Wealth.
 - c) Money supply.
 - d) Foreign debts.
9. Transitory income plays key role in :
- a) The absolute income hypothesis.
 - b) The relative income hypothesis.
 - c) The permanent income hypothesis
 - d) The life-cycle hypothesis.
10. The life-cycle theory of the consumption function was developed by :
- a) Franco Modigliani, Alberto Ando and Brumberg.
 - b) James Duesenburry, Franco Modigliani and Brumberg.
 - c) Milton Friedman, Alberto Ando and Brumberg.
 - d) Alberto Ando, Keynes and Brumberg.
11. The main factor/s affecting effective demand will be :
- a) Price.
 - b) Income.
 - c) Availability of credit.
 - d) All the above.
12. The value of balanced budget multiplier is :
- a) Equal to zero.
 - b) Equal to one.
 - c) Between zero and one.
 - d) More than one.

(12 × ½ = 6 marks)

Part B (Very Short Answer Type Questions)

*Answer any ten questions.
Each question carries 2 marks.*

13. What is meant by inflationary gap ?
14. Define NNP.

15. What is meant by Green GDP ?
16. Distinguish between macro statics and macro dynamics.
17. What is meant by wage price flexibility ?
18. What is disposable income ?
19. Define MPC.
20. Briefly explain Pigou effect.
21. Define fiscal policy.
22. What is underemployment equilibrium ?
23. Distinguish between autonomous investment and induced investment.
24. Prepare a note on Keynesian Revolution.

(10 × 2 = 20 marks)

Part C (Short Essay Type Questions)

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

25. Explain the relative income hypothesis of James Duesenberry.
26. Explain Say's law of market.
27. What are the problems in measuring national income ?
28. Discuss the objective factors determining the consumption function.
29. Bring out the superiority of cash balances version of quantity theory of money.
30. Discuss Keynesian concept of labour market.
31. Explain the important objectives and instruments of fiscal policy.
32. What is the difference of endogenous and exogenous variables ? Give examples.

(6 × 5 = 30 marks)

Part D (Essay Type Questions)

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

33. Explain National Income. Discuss important National Income concepts and their inter-relationships.
34. Illustrate the classical model of output and employment.
35. Explain permanent income hypothesis and life cycle hypothesis.
36. What do you mean by effective demand ? Explain the principle of effective demand.

(2 × 12 = 24 marks)

D 10351

(Pages : 4)

Name.....

Reg. No.....

FIFTH SEMESTER U.G. DEGREE EXAMINATION, NOVEMBER 2021

(CUCBCSS—UG)

Economics

ECO 5B 07—MACRO ECONOMICS—I

Time : Three Hours

Maximum : 80 Marks

Part A (Objective Type Questions)*Answer all twelve questions.**Each question carries ½ mark.*

1. When MPS is 0.5, the value of investment multiplier is :
 - a) 2.
 - b) 5.
 - c) 1.
 - d) 4.
2. _____ is a variable that is not affected by other variables in the system.
 - a) Exogenous variable.
 - b) Endogenous variable.
 - c) Stock variable.
 - d) Flow variable.
3. Identify the name/s associated with the formulation of the cash balances approach :
 - a) Marshall.
 - b) Pigou.
 - c) Robertson.
 - d) All the above.
4. The term used for expressing GDP after adjusting for environmental damage is :
 - a) GDP deflator.
 - b) Green GDP.
 - c) Real GDP.
 - d) Nominal GDP.
5. The book titled The Money Illusion has been authored by :
 - a) Alfred Marshal.
 - b) Irving Fisher.
 - c) Milton Friedman.
 - d) AC Pigou.

Turn over

6. _____ describes the spending and saving habits of people over the course of a lifetime.
- a) The absolute income hypothesis.
 - b) The relative income hypothesis.
 - c) The permanent income hypothesis.
 - d) The life-cycle hypothesis.
7. Real balance effect theory is based on the assumption/s :
- a) All prices are flexible.
 - b) No distribution effect exists.
 - c) There is no money illusion.
 - d) All the above.
8. Who among the following was labelled as a 'conservative revolutionary ?'
- a) Marx.
 - b) Friedman.
 - c) Keynes.
 - d) Ricardo.
9. The tax multiplier is :
- a) Smaller than the spending multiplier.
 - b) Larger than the spending multiplier.
 - c) Equal to the spending multiplier.
 - d) None of these.
10. According to classical economists, there always exists :
- a) Full employment equilibrium.
 - b) Underemployment equilibrium.
 - c) Over full employment equilibrium.
 - d) None of these.
11. According to Keynes, aggregate supply function is an increasing function of the level of :
- a) Income.
 - b) Prices.
 - c) Employment.
 - d) All the above.

12. Identify the correct statement/s related to the Permanent Income Hypothesis :
- Consumption expenditure is proportional to permanent income.
 - In the long run observed level of income is equal to permanent income.
 - Observed values of aggregate income has two components such as permanent income and transitory income.
 - All the above.

(12 × ½ = 6 marks)

Part B (Very Short Answer Type Questions)

*Answer any ten questions.
Each question carries 2 marks.*

- Define Macro economics.
- What is aggregate demand price ?
- Define consumption function.
- What is the difference between current GNP and real GNP ?
- Define tax multiplier.
- What do you mean by double counting ?
- What is meant by classical dichotomy ?
- Distinguish between macro statics and macro dynamics.
- What are the major leakages with multiplier process ?
- What is deflationary gap ?
- Distinguish between MPS and APS.
- Point out the significance of net foreign factor income.

(10 × 2 = 20 marks)

Part C (Short Essay Type Questions)

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

- Explain Fisher's quantity theory of money.
- Differentiate between stock and flow variables with suitable examples.

Turn over

27. Explain the importance of Marginal Efficiency of Investment in making investment decisions.
28. Prepare a note on Keynesian Revolution.
29. Explain the scope of macro economics.
30. Distinguish between ratchet effect and demonstration effect.
31. What are the assumptions of classical model of output and employment.
32. What is real balance effect ? Examine the importance of Patinkin's model.

(6 × 5 = 30 marks)

Part D (Essay Type Questions)

Answer any two questions.

Each question carries 12 marks.

33. Examine important methods of measuring national income. Discuss major problems in measuring national income.
34. Explain the meaning and objectives of fiscal policy. What are the important instruments of fiscal policy ?
35. The level of employment is determined at the point where the aggregate demand price equals the aggregate supply price. Explain.
36. Examine the relative income hypothesis of James Duesenberry. How far it is related to the life-cycle hypothesis ?

(2 × 12 = 24 marks)

D 90351

(Pages : 4)

Name.....

Reg No.....

FIFTH SEMESTER B.A./B.Sc. DEGREE EXAMINATION, NOVEMBER 2020

(CUCBCSS—UG)

Economics

ECO 5B 07—MACRO ECONOMICS—I

Time : Three Hours

Maximum : 80 Marks

Answers may be written either in English or in Malayalam.

Section A

Answer all questions.

Each question carries 1 mark.

1. Variables whose values are determined within the model _____.
(a) Parameters. (b) Endogenous.
(c) Exogenous. (d) Constants.
2. Among the following which one is not the type of a model _____ ?
(a) Mathematical. (b) Constants.
(c) Analog. (d) Symbolic.
3. $NDP = GDP -$ _____.
(a) Subsidies. (b) Tax.
(c) Profit. (d) Depreciation.
4. Personal income - Personal direct taxes is _____.
(a) Disposable Personal Income. (b) Disposable per capita income.
(c) Disposable national income. (d) Real income.
5. Pigou formulated Says law in terms of _____ market.
(a) Capital. (b) Labour.
(c) Money. (d) Financial.

Turn over

6. $P = M/KT$ equation was developed by _____.
- (a) Pigou. (b) Keynes.
(c) Robertson. (d) Patinkin.
7. The volume of K in Cambridge equation depends on _____.
- (a) Rate of interest. (b) Supply of money.
(c) Velocity of circulation. (d) Real national income.
8. If MPC is zero multiplier is _____.
- (a) 5. (b) 1.
(c) 2. (d) 10.
9. In the equation, $K = 1/1-m$; m means _____.
- (a) APC. (b) APS.
(c) MPS. (d) MPC.
10. Built in stabilisers relates to _____.
- (a) National income. (b) Revenue yield.
(c) Budgetary policy. (d) Public expenditure.
11. The size of MPC is _____.
- (a) 1. (b) > 1 .
(c) $> 0 < 1$. (d) < 1 .
12. Relative income hypothesis was developed by _____.
- (a) Modigliani. (b) Kuznets.
(c) Duesenberry. (d) Keynes.

(12 × 1 = 12 marks)

Section B (Very Short Answer Type Questions)

Answer at least six questions.

Each question carries 3 marks.

All questions can be attended.

Overall ceiling 18.

13. Autonomous investment and induced investment.
14. Wage price flexibility.

15. APC and MPC.
16. Tax multiplier.
17. Real balance effect.
18. Life cycle hypothesis.
19. Ratchet effect.
20. Neutrality of money.
21. Marshall's equation.
22. GDP.
23. Stock and flows.
24. Equilibrium and disequilibrium.

(6 × 3 = 18 marks)

Section C (Short Essay Type Questions)

Answer at least four questions.

Each question carries 6 marks.

All questions can be attended.

Overall ceiling 24.

25. Explain static and dynamic analysis in macro economics.
26. Explain the income method of measuring national income.
27. Explain Says law of market.
28. Explain MEC and MEI.
29. Explain inflationary and deflationary gaps.
30. Explain absolute income hypothesis.
31. Briefly explain Keynesian theory of employment.
32. What is fiscal policy ? Explain its objectives.

(4 × 6 = 24 marks)

Turn over

Section D (Essay Type Questions)

Answer any two questions.

Each question carries 13 marks.

33. Briefly explain the psychological law of consumption.
34. How income is determined in a three sector economy ?
35. Explain the quantity theory of money.
36. Explain the nature, scope, importance and limitations of the study of macro economics.

(2 × 13 = 26 marks)

**FIFTH SEMESTER B.A. DEGREE EXAMINATION
NOVEMBER 2019**

(CUCBCSS—UG)

Economics

ECO 5B 07—MACRO ECONOMICS—I

Time : Three Hours

Maximum : 80 Marks

Part A (Objective Type Questions)*Write all the twelve questions.**Each question carries ½ mark.*

1. According to Friedman, MPC out of transitory income is :
 - (a) Zero.
 - (b) One.
 - (c) 0.5.
 - (d) 0.40.
2. The following concept is not related to classical economics :
 - (a) Wage- price flexibility.
 - (b) Laissez Faire.
 - (c) Full employment.
 - (d) Interest rate rigidity.
3. According to Friedman, the quantity theory of money is basically a theory of :
 - (a) Aggregate demand.
 - (b) The demand for money.
 - (c) National income.
 - (d) The level of prices.
4. Given the consumption function, $C = 205 + 0.9 Y$, what is the multiplier ?
 - (a) 0.09.
 - (b) 10.0.
 - (c) 0.9.
 - (d) 9.0.
5. When a linear consumption function undergoes a parallel shift downwards, the investment multiplier will :
 - (a) Fall.
 - (b) Rise marginally.
 - (c) Become double.
 - (d) Remain as before.

Turn over

6. Wage cut leads to lower interest rates and increased investment :
- (a) Real Balance Effect.
 - (b) Pigou Effect.
 - (c) Wealth Effect.
 - (d) Keynes Effect.
7. Disposable income includes :
- (a) Direct tax.
 - (b) Indirect tax.
 - (c) Only wealth tax.
 - (d) None of the above.
8. Identify the strategic variable in the Classical theory of employment :
- (a) Income.
 - (b) Interest rate.
 - (c) Investment and full employment.
 - (d) Saving and Say's Law of market.
9. Velocity of circulation of money (V) is negatively affected by :
- (a) Shorter time interval of income receipts.
 - (b) Economic prosperity.
 - (c) Liquidity preference is less.
 - (d) High degree of inequality.
10. Which of the following statement is/are true ?
- (a) During a recession the economy is inside its production-possibility frontier.
 - (b) During a recession the GDP gap is positive.
 - (c) During a recession the unemployment rate is increasing.
 - (d) All of the above.
11. A positive GDP gap exists when :
- (a) Nominal GDP is greater than real GDP.
 - (b) Real GDP is greater than potential GDP.
 - (c) Potential GDP is greater than real GDP.
 - (d) Economic activity is at its full-employment level.
12. Unanticipated inflation is harmful to :
- (a) Retirees whose retirement income is indexed.
 - (b) Debtors.
 - (c) Creditors.
 - (d) Economic growth but has no effect upon individual members of the economy.

(12 × ½ = 6 marks)

Part B (Very Short Answer Type Questions)

*Write any ten questions.
Each question carries 2 marks.*

13. What are the fiscal measures ?
14. What is money Illusion ?
15. Examine the meaning and significance of Pigou effect.
16. Briefly explain the Cambridge cash balance approach.
17. Write a note on Keynes' law of consumption.
18. What is Marginal Efficiency of Investment ?
19. What do you mean by full employment ?
20. What is inflation ?
21. Differentiate between APS and MPS.
22. What is meant by Real Balance Effect ?
23. What are the important factors determining consumption ?
24. Distinguish between Classical and Keynesian aggregate supply curve.

(10 × 2 = 20 marks)

Part C (Short Essay Type Questions)

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

25. Distinguish between macroeconomics and microeconomics.
26. Explain the following concepts :
 - (a) GDP.
 - (b) GNP.
 - (c) NNP.
 - (d) Disposable Personal Income.
27. Explain the major pillars of classical economics.
28. Explain the superiority of relative income hypothesis over absolute income hypothesis.
29. Give a brief account on Life Cycle Hypothesis.
30. Explain the difference between nominal GDP, Real GDP and potential GDP.
31. Explain inflationary and deflationary gaps with suitable diagrams.
32. What are the determinants of investments ?

(6 × 5 = 30 marks)

Turn over

Part D (Essay Type Questions)

Answer any two questions.

Each question carries 12 marks.

33. What are the methods and problems in estimating national income ?
34. Explain permanent Income hypothesis.
35. Narrate Keynesian theory of employment. What are the shortcomings of Keynesian theory ?
36. Explain the Classical approach to demand for money.

(2 × 12 = 24 marks)

D 50771

(Pages : 3)

Name:

Reg. No.

FIFTH SEMESTER B.A. DEGREE EXAMINATION, NOVEMBER 2018

(CUCBCSS—UG)

Economics

ECO 5B 07—MACRO ECONOMICS—I

Time : Three Hours

Maximum : 80 Marks

Answers may be written either in English or in Malayalam.

Part A

Answer all twelve questions.

Each question carries ½ mark.

1. _____ is independently of time element.
 - (a) Macro statics.
 - (b) Macro dynamics.
 - (c) Comparative macro statics.
 - (d) Comparative micro statics.
2. Among the following who has not adopted dynamic analysis :
 - (a) Kalacki.
 - (b) Frisch.
 - (c) Keynes.
 - (d) Tuibergen.
3. For measuring national income the net value added method is also called _____.
 - (a) Net output method.
 - (b) Industry of origin method.
 - (c) Production method.
 - (d) All the above.
4. NNP at factor cost is _____.
 - (a) Always more than GNP.
 - (b) More than national income.
 - (c) Equal to national income.
 - (d) Less than national income.
5. $P = MV/T$ is _____.
 - (a) Cash balance equation.
 - (b) Cash transaction equation.
 - (c) Real balance equation.
 - (d) Cash capital equation.
6. The Chicago version of quantity theory of money was developed by _____.
 - (a) Fisher.
 - (b) Pigou.
 - (c) Friedman.
 - (d) Keynes.

Turn over

7. Real balance effect support _____.
- (a) Homogeneity postulate. (b) Dichotomy of goods and money market.
(c) Money illusion. (d) Integration of goods and money market.
8. If MPC is 0.5, then multiplier is _____.
- (a) 10. (b) 5.
(c) 2. (d) 1.
9. Accelerator has been given by _____.
- (a) Khan. (b) Smith.
(c) Clark. (d) Keynes.
10. If MEC is 10%, the present value of Rs. 100 for two years will be _____.
- (a) 80.65. (b) 82.65.
(c) 88.65. (d) 81.65.
11. APC is _____.
- (a) $\frac{\Delta C}{\Delta Y}$. (b) $\frac{\Delta Y}{\Delta C}$.
(c) $\frac{C}{Y}$. (d) $\frac{Y}{C}$.
12. Absolute income hypothesis was developed by _____.
- (a) Kuznets. (b) Friedman.
(c) Modigliani. (d) Keynes.

(12 × ½ = 6 marks)

Part B (Very Short Answer Type Questions)*Answer any ten questions.**Each question carries 2 marks.*

13. Stock and flow.
14. Ex ante and ex post.
15. Green GNP.

16. Difficulties in the measurement of national income.
17. Money illusion.
18. Voluntary unemployment.
19. Marginal Efficiency of Capital.
20. Tax multiplier.
21. Ratchet effect.
22. Real Balance effect.
23. Fishers equation of exchange.
24. Inflationary gap.

(10 × 2 = 20 marks)

Part C (Short Essay Type Questions)

Answer any six questions.

Each question carries 5 marks.

25. Briefly explain the permanent income hypothesis.
26. Explain the components of aggregate supply.
27. Explain the instruments of fiscal policy.
28. What is effective demand ? Explain its determinants.
29. Explain Pigou effect.
30. Explain Says Law of market.
31. Distinguish between micro and macro economics.
32. How national income is calculated ? Explain the important methods.

(6 × 5 = 30 marks)

Part D (Essay Type Questions)

Answer any two questions.

Each question carries 12 marks.

33. Explain static, dynamic and comparative static analysis in macro economics.
34. Explain income determination in a two and three sector economy using Keynesian analysis.
35. Explain cash balance approach in the theory of money.
36. Explain the different concepts of national income and its inter-relationships.

(2 × 12 = 24 marks)

C 30476

(Pages : 4)

Name.....

Reg. No.....

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)

D 11336

(Pages : 4)

Name.....

Reg. No.....

FIFTH SEMESTER B.A. DEGREE EXAMINATION, NOVEMBER 2016

(CUCBCSS—UG)

Economics

ECO 5B 07—MACRO ECONOMICS—I

Time : Three Hours

Maximum : 80 Marks

Answers may be written either in English or in Malayalam.

Part A

Answer all questions.

Each question carries ½ mark.

1. Macro Economics is concerned with :
 - (a) The real output of goods and services.
 - (b) The general level of prices.
 - (c) The growth of real output.
 - (d) All the above.
2. Which of the following is not an assumption for quantity theory of money ?
 - (a) The price level is not an assumption for Q.T.M.
 - (b) Volume of transaction does not remain constant.
 - (c) Constant ratio between legal tender money and credit money.
 - (d) Constant velocity of circulation.
3. Who first introduced the concept of Effective Demand ?
 - (a) J.M. Keynes.
 - (b) A. C. Pigou.
 - (c) Thomas Robert Malthus.
 - (d) Alfred Marshall.
4. Which of the following statement is correct ?
 - (a) A variable is endogenous when its value is determined by forces outside the model.
 - (b) A change in an exogenous variable is classified as an autonomous change.
 - (c) A variable is exogenous when its value is determined by forces within the model.
 - (d) A variable is autonomous when its value is determined by forces within the model.

Turn over

5. The amount by which the real Gross Domestic Product, or real GDP, exceeds potential GDP, is referred to as :
- (a) Inflationary gap. (b) Deflationary gap.
(c) Recessionary gap. (d) None of these.
6. Keynes argued that economy will in equilibrium at :
- (a) Full employment (b) Under employment.
(c) Less than full employment. (d) Frictional unemployment.
7. Money has no real effect :
- (a) Neutrality of money. (b) Real effect.
(c) Consumption effect. (d) Income effect.
8. Milton Friedman proposed the :
- (a) Permanent Income Hypothesis. (b) Life Cycle Hypothesis.
(c) Absolute Income Hypothesis. (d) Relative Income Hypothesis.
9. In the consumption function, Keynes proposition holds that MPC :
- (a) 0. (b) 1.
(c) $0 < b < 1$. (d) $0 > b < 1$.
10. Keynes recommended _____ as a macro economic policy strongly.
- (a) Fiscal Policy.
(b) Monetary Policy.
(c) Both Fiscal and Monetary Policy.
(d) Neither Fiscal and Policy.
11. Micro Economics and Macro Economics are :
- (a) Mutually Exclusive. (b) Independent of each other.
(c) Interdependent. (d) Competitive to each other.
12. Keynesian Unemployment is :
- (a) Voluntary. (b) Cyclical.
(c) Structural. (d) Involuntary.

(12 × ½ = 6 marks)

Part B (Very Short Answer Questions)

*Answer any ten questions.
Each question carries 2 marks.*

13. Distinguish between Micro and Macro Economics.
14. What is meant by effective demand ?
15. Define MEC.
16. Cash Balance Approach.
17. Fiscal Policy.
18. Stock and Flow variable.
19. Says law of market.
20. Bring out the technical attributes of Keynesian consumption function.
21. Investment.
22. Define Voluntary unemployment.
23. Explain Pigou Effect.
24. Ratchet Effect.

(10 × 2 = 20 marks)

Part C (Short Essay Questions)

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

25. Explain Keynesian theory of income determination in the three sector economy.
26. Explain Relative Income Hypothesis.
27. Show that the balanced budget multiplier is equal to 1.
28. Friedman's restatement of quantity theory of money.
29. Describe the Keynesian model of income determination in a two sector economy.
30. Explain the objectives of fiscal policy.
31. Discuss the view that 'saving is a leakage' in the Keynesian theory.
32. Explain the theory of comparative static equilibrium.

(6 × 5 = 30 marks)

Turn over