

D 131134

(Pages : 4)

Name.....

Reg. No.....

**FIRST SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY)  
EXAMINATION, NOVEMBER 2025**

(CBCSS)

Econometrics

ECM 1C 03—MACRO ECONOMIC THEORY

(2020 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

**Part A (Multiple Choice Questions)***Answer all fifteen questions.**Each question carries 1/5 weightage.*

1. A contractionary fiscal policy can involve :
  - (a) Increasing consumption and investment.
  - (b) Decreasing government spending and increasing taxes.
  - (c) Increasing government spending and increasing taxes.
  - (d) None of the above.
2. What is the shape of long run Phillips curve ?
  - (a) Inverted U shape.
  - (b) Horizontal.
  - (c) Inverse L shape.
  - (d) Vertical.
3. IS-LM model represents the \_\_\_\_\_ of the goods and money markets.
  - (a) Separation.
  - (b) Integration.
  - (c) Closure.
  - (d) None of the above.
4. The shape of Laffer curve is :
  - (a) Inverted U shape.
  - (b) U shape.
  - (c) Inverse L shape.
  - (d) None of the above.

**Turn over**

5. According to Classical approach to demand for money, people demand money for :
- (a) Precaution.
  - (b) Transaction.
  - (c) Transaction and precaution.
  - (d) None of the above.
6. When the demand for money is infinitely interest elastic, the effectiveness of an expansionary monetary policy is \_\_\_\_\_.
- (a) The highest.
  - (b) Moderate.
  - (c) Very low.
  - (d) Nil.
7. Demand pull inflation may be caused by :
- (a) An increase in cost.
  - (b) A decrease in interest rate.
  - (c) A reduction in government spending.
  - (d) An outward shift of aggregate supply.
8. GDP deflator is :
- (a) Ratio of real GDP to nominal GDP.
  - (b) Ratio of nominal income to real income.
  - (c) Ratio of nominal GDP to real GDP.
  - (d) Rate of change in real income.
9. M1 is otherwise known as :
- (a) Narrow money.
  - (b) Broad money.
  - (c) Base money.
  - (d) Liquid money.
10. According to Keynes marginal propensity to consume :
- (a) Can never exceed unity.
  - (b) May exceed unit when dissaving occurs.
  - (c) Can never exceed the average propensity to consume.
  - (d) Is the reciprocal of marginal propensity to save.

11. Life cycle income hypothesis was developed by :
- (a) Milton Friedman. (b) James Duesenberry.  
(c) Franco Modigliani. (d) J R Hicks.
12. Marginal Efficiency of Investment relates to :
- (a) Efficiency of capital investment.  
(b) Expected rate of wages.  
(c) Expected rate of return on investment.  
(d) Expected effect on production.
13. The term business cycle refers to :
- (a) Fluctuations in aggregate economic activity over time.  
(b) Ups and down in the production of goods.  
(c) Increasing unemployment.  
(d) Declining savings.
14. The elasticity in respect of speculative demand for money under the liquidity trap condition is :
- (a) Zero. (b) One.  
(c) Greater than one. (d) Infinite.
15. Which of the following factors shift LM curve :
- (a) Change in taxes.  
(b) Change in expenditure.  
(c) Change in autonomous investment.  
(d) Change in inflation rate.

(15 × 1/5 = 3 weightage)

**Part B (Very Short Answer Questions)**

*Answer any **five** questions out of eight questions.*

*Each question carries 1 weightage.*

16. Define money multiplier.
17. What is crowding out effect ?

**Turn over**

18. Define frictional unemployment.
19. What is Phillips curve ?
20. Define MEC.
21. What is LM Curve ?
22. Define adaptive expectations.
23. Define outside lag.

(5 × 1 = 5 weightage)

### **Part C (Short Answer Questions)**

*Answer any **seven** questions out of ten questions.*

*Each question carries 2 weightage.*

24. Briefly explain about user cost and neo-classical theory of investment.
25. The H theory of money supply.
26. Briefly explain relative income theory of consumption.
27. What is NAIRU ? Explain.
28. Discuss about quantity theory of money by Fisher.
29. Give a brief account of determinants of money supply.
30. Discuss about shifts in IS curve diagrammatically.
31. Write about political business cycle theory.
32. Briefly explain about stabilization policy.
33. What are the objectives of macro- economic policies ?

(7 × 2 = 14 weightage)

### **Part D (Essay Questions)**

*Answer any **two** questions out of four questions.*

*Each question carries 4 weightage.*

34. Discuss about short run and long run Phillips curve.
35. Critically analyse Keynesian liquidity preference theory.
36. Discuss about IS-LM model with government sector.
37. Explain about various instruments of fiscal policy in stabilizing the economy.

(2 × 4 = 8 weightage)