

D 30275

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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 Duesenberry, 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)