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Fifth Semester B.A. Degree Examination, December 2019

First Degree Programme Under CBCSS

Economics

Core Course VII

EC 1542 – MACRO ECONOMICS II

(2015 Admission Onwards)

Time : 3 Hours Max. Marks : 80

PART – A

Answer **all** questions in one word to maximum of two sentences. Each question carries **1** mark.

1. Psychological law of consumption function
2. Permanent income
3. Ratchet effect
4. Inventory investment
5. Money illusion
6. Fisher effect
7. Inflationary gap

P.T.O.

8. Net present value

9. Marginal propensity to consume

10. Crowding out effect

**(10 × 1 = 10 Marks)**

## PART – B

Answer **any eight** questions not exceeding one paragraph. Each question carries **2** marks.

11. Write a note on objective factors influencing consumption.

12. What is marginal efficiency of capital? Explain its determinants.

13. Keynes effect

14. What is Liquidity trap?

15. Explain the accelerator theory of investment.

16. Explain the H theory of money supply.

17. What are the instruments of fiscal policy?

18. Explain Kuznet's consumption puzzle.

19. What are the RBI measures of money supply?

20. What are the basic functions of money?

21. Is monetary policy effective in the situation of liquidity trap?

22. State the quantity theory of money.

**(8 × 2 = 16 Marks)**

## PART – C

Answer **any six** questions not exceeding 120 words. Each question carries **4** marks.

23. Describe briefly the absolute income hypothesis. What are the main propositions of this hypothesis?

24. Explain briefly the concept of money multiplier.

25. Dampeners on accelerator.

26. Describe the demand-pull inflation.

27. State important propositions of monetarism.

28. Explain inflation and its causes. How do economists classify inflation?

29. Geometrically derive the IS curve.

30. Describe various anti-inflationary measures.

31. How does the Phillips curve explain the trade off between unemployment and inflation?

**(6 × 4 = 24 Marks**

## PART – D

Answer **any two** questions not exceeding four pages. Each question carrie **15** marks.

32. Give the central idea of Hawtrey's trade cycle theory.

33. How does Relative Income Hypothesis explain consumption behaviour households?

34. Explain the objectives and instruments of monetary policy.

35. Critically evaluate Keynesian liquidity preference theory of demand for money.

**(2 × 15 = 30 Mark**