

M A DEGREE END SEMESTER EXAMINATION 2014 -15
SEMESTER -1: SUBJECT- ECONOMICS
COURSE CODE: PIECOT02 - MACROECONOMIC THEORY AND POLICY

Time: 3 Hours

Maximum Marks: 75

Part A

Answer **any EIGHT** Questions of the following not exceeding half a page.

1. Importance of macro economics
2. Crowding out effect
3. Fiscal policy multiplier
4. Ricardian Equivalence
5. Psychological factors affecting consumption
6. Consumption puzzle
7. Keynes effect
8. Inter temporal choice
9. Keynesian unemployment
10. Tobin's Q-ratio
11. Search theory
12. Political business cycle

(8 x 2 = 16)

Part B

Answer **any SEVEN** Questions of the following not exceeding Two pages.

13. Explain the Classical theory of employment and discuss Keynesian criticism on it?
14. Explain the income determination model by using Keynesian cross diagram?
15. What is ISLM Model.? What are the factors responsible for the shift in IS curve?
16. Write a note on Neo classical Keynesian synthesis
17. Critically examine the relative income hypothesis
18. What are the determinants of investment according to Keynes
19. Critically examine the accelerator theory of investment
20. Write a note on DMP Model.?
21. Discuss the recent economic crisis

22. Examine the Kaldor's model of trade cycle?

(7 x 5 = 35)

Part C

Write a long essay on **any Two** of the following not exceeding four pages.

23. Explain the relative efficiency of fiscal and monetary policy in the classical and Keynesian system using ISLM framework

24. Briefly discuss the three sector ISLM model

25. How does the permanent income hypothesis helps to explain the puzzle posed early empirical investigation of the Keynesian consumption function

26. Show how the interaction between Multiplier and accelerator can be used to explain the trade cycle

(2 x 12 = 24)