(7 pages)

Reg. No. : ....

Code No. : 30406 E   Sub. Code : AMEC 61

B.A. (CBCS) DEGREE EXAMINATION, APRIL 2023

Sixth Semester

Economics — Core

MACRO ECONOMICS — II

(For those who joined in July 2020 only)

Time : Three hours   Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. According to Keynes what causes changes in inducement to invest by entrepreneurs?

   (a) MPC and MEI

   (b) MEC and MPS

   (c) MEC and rate of interest

   (d) MPC and rate of interest

2. If expected rate of return is greater than rate of interest, then

   (a) Investment remains stable

   (b) Investment will fall

   (c) Investment will increase

   (d) Investment will decline

3. In the classical view, the price level is determined by

   (a) Aggregate supply

   (b) Aggregate demand and supply

   (c) Supply of money

   (d) Aggregate demand

4. Under Keynesian theory employment and output is determined by

   (a) Saving investment equality

   (b) Production function

   (c) Effective demand

   (d) Demand for money and supply of money

5. Which of the following is the negative aspects of a business cycle?

   (a) An increasing rate of inflation

   (b) A declining rate of inventory investment

   (c) A reduction in government budget deficits

   (d) A declining rate of unemployment

6. The trough of a business cycle occurs when ——— hits its lowest point.

   (a) Inflation

   (b) Money supply

   (c) Aggregate economic activity

   (d) Unemployment rate

7. Which among the following does not have the application of multiplier?

   (a) Determination of income

   (b) Fiscal policy

   (c) Monetary policy

   (d) Foreign direct investment

8. Which among the following is not a tool of fiscal policy?

   (a) Government expenditure

   (b) Taxation

   (c) Transfer payments

   (d) Bank rate

9. The formula for calculating simple multiplier is

   (a) 1/1-MPC   (b) 1/MPC = MPS

   (c) 1/1-MPS   (d) 1/MPC+MPS

10. Open market operations, one of the measure takes by RBI in order to control credit expansion in the economy means

   (a) Sales or purchase of gilt-edge government securities

   (b) Issuance of different types of bonds

   (c) Auction of gold

   (d) To make available direct finance to borrowers

PART B — (5 × 5 = 25 marks)

Answer ALL questions choosing either (a) or (b).
Each answer should not exceed 250 words.

11. (a) Explain the relation between MEC and MEI.

Or

(b) What are the different types of investment?

12. (a) Briefly explain the major aspects of Wicksell theory.

Or

(b) Explain Keynesian theory of interest.

13. (a) Explain the Schumpeter's innovation theory.

Or

(b) Describe the phases of business cycle.

14. (a) Explain the working process of the multiplier.

Or

(b) Define dynamic and employment multiplier.

15. (a) What are the instruments of fiscal policy?

Or

(b) Differentiate between monetary policy and fiscal policy.

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PART C — (5 × 8 = 40 marks)

Answer ALL questions choosing either (a) or (b).
Each answer should not exceed 600 words.

16. (a) Elaborately explain the investment function and its determinants.

Or

(b) Describe the various factors affecting induced investment.

17. (a) Critically examine the Keynes liquidity preference theory of interest.

Or

(b) Examine the major aspects of classical theory of interest.

18. (a) Explain the different causes of trade cycle.

Or

(b) Explain the Hick's theory of business cycle.

19. (a) Explain the investment multiplier and highlight the leakages of multiplier.

Or

(b) Critically examine the working of the multiplier.

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20. (a) Explain the various instruments of monetary policy.

Or

(b) Explain expansionary and restrictive monetary policy and the role of monetary policy in a developing economy.

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