

**DEPARTMENT OF ECONOMICS
CENTRAL UNIVERSITY OF JAMMU**

End Semester Examination (2017)

Course Title: Macro Economics
Max. Marks: 100

Course No: PGECO2C002T
Max. Time: 3 hours

Section-A: Objective Type Questions

Attempt all the questions. Each question carries 1.5 marks

*10*1.5=15*

1. National Income or Net National Product at factor cost is equal to
 - a) Net National Product at market prices – subsidies + indirect taxes
 - b) Net National Product at market prices – indirect taxes + subsidies
 - c) Gross National Product at market prices – direct taxes + subsidies
 - d) Gross National Product at market prices – subsidies + taxes

2. Double Counting means
 - (a) Counting a product more than once
 - (b) Counting net value added at different stages of production process
 - (c) Counting both as Product and Payment
 - (d) None of these

3. Classical economists regarded Interest as
 - (a) Rigid
 - (b) Perfectly Flexible
 - (c) Relatively Flexible
 - (d) None of these

4. Value of money is
 - (a) Inversely related to the price level
 - (b) Directly related to the price level
 - (c) Independent of the price level
 - (d) None of these

5. The deposit multiplier is relevant to
 - (a) Expansion of money supply
 - (b) Contraction of money supply
 - (c) Both a and b
 - (d) Neither a nor b

6. Curve of Marginal efficiency of capital shows the demand for investment or inducement to invest at various
 - (a) Rates of Interest
 - (b) Levels of income
 - (c) Rates of Profit
 - (d) None of the above

7. If there is a liquidity trap, the policy effective in raising employment is

- (a) Fiscal Policy (b) Monetary policy
(c) Money wage cut (d) All three

8. According to Adaptive expectation model, the relation between rate of Inflation and rate of Unemployment in the long run is

- (a) Horizontal (b) Vertical
(c) Downward sloping (d) upward sloping

9. That property, when a variable is shocked away from an initial value, it shows no tendency to return even when the shock is over is known as

- (a) Hysteresis (b) Menu cost
(c) Efficiency wage (d) None of these

10. When the LM curve is vertical, the following policy is totally ineffective.

- (a) Fiscal Policy (b) Monetary policy
(c) Both (a) and (b) (d) Neither(a) nor (b)

Section-B: Short Answer Type Questions

Each question carries 8 marks.

5*8=40

Q11. Explain the essential elements of the permanent hypothesis of consumer behaviour.

Or

Discuss the input output method of National income accounting

Q12. Explain capital stock adjustment principle.

Or

Explain Tobin's q theory of Investment.

Q13. What are the different factors that determine the demand for money in the Keynesian sense.

Or

Elaborate (a) High powered money and (b) Money multiplier. Explain how money supply is determined by these two.

Q14. Explain the relationship between effectiveness of fiscal policy and the interest elasticity of investment

Or

Explain why the IS curve is negatively sloped and LM curve is positively sloped in the IS-LM curve model.

Q15. Give a brief outline of efficiency wage model.

Or

Discuss the concept of Phillips curve. What is the Keynes' take on Phillips curve?

Section-C: Long Answer Type Questions

Attempt any three questions. Each question carries 15 marks

*3*15=45*

Q16. Bring out the process of Income determination in complete Keynesian Model.

Q17. Investment increases multiple times as a result of increase in income. Explain this mechanism. Also explain the process of multiplier.

Q18. Discuss Friedman's restatement of quantity theory of money. Analyze its main differences with Keynesian theory of Demand for money.

Q19. Discuss the effectiveness of Monetary and Fiscal Policy in Perfect capital mobility of Mundell Fleming model.

Q20. Explain the concept of rational expectations. How does it differ from the adaptive expectations?