



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION – ECONOMICS

FIRST SEMESTER – APRIL 2014

EC 1807 - MACRO ECONOMIC THEORY - I

Date : 02/04/2014
Time : 09:00-12:00

Dept. No.

Max. : 100 Marks

Part – A

Answer any 5 questions in about 75 words each.

(5 x 4 = 20)

1. Define national income. Differentiate real and nominal income with an example.
2. List out the assumptions of accelerator theory of Investment.
3. Discuss the concept of circular flow of income and expenditure with two sector model with savings and investment.
4. What is Ratchet effect? Give an example.
5. Find out MPC, MPS and the value of multiplier from the given data:

Y_d	C	S
0	80	- 80
200	220	- 20
500	500	0
800	680	120
1200	950	250

6. Enumerate the propositions of the Permanent income hypothesis.
7. What is 'tatonnement processes'?

Part – B

Answer any four questions in about 250 words each.

(4 x 10 = 40)

8. Explain the classical theory with savings and investment.
9. Explain the effect of shift in the labour supply.
10. Explain q theory of investment.
11. Discuss the concept of rational expectation when the policy change is anticipated?
12. Discuss the factors affecting the inflationary gap.
13. When autonomous consumption (C_0) = 800, MPC (b) = 0.7 and income (Y) = 7000, form the consumption function and determine the volume of consumption. What will be the consumption expenditure, if:
(i) MPC falls to 0.5 (ii) income increases to 9000 (iii) both change as indicated in (i) and (ii)
14. Explain the merits of Macro-disequilibrium.

Part – C

Answer any two questions in about 900 words each.

(2 x 20 = 40)

15. Assuming a Classical system, trace the effects of the following upon employment.
(i) Shift in Production function (ii) shift in factor supply (iii) Shift in money supply function.
16. Discuss the concept of Neo-Classical theory of general equilibrium and disequilibrium.
17. Discuss the main elements of Life Cycle theory of consumption with suitable example.
18. What are the modifications that have been made upon Phillips Curve?
