LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION - ECONOMICS

FIRST SEMESTER – NOVEMBER 2013

EC 1807 - MACRO ECONOMIC THEORY - I

Date : 08/11/2013   Dept. No.   Max. : 100 Marks
Time : 1:00 - 4:00

Part – A

Answer any 5 questions.   **(5 x 4 = 20)**

1. List out the propositions of the Permanent income hypothesis.
2. What is 'tatonnement process'?
3. List out the assumptions of acceleration theory of Investment.
4. What is meant by structural inflation?
5. What is demonstration effect?
6. List out the Keynesian objections against the Classical analysis.
7. Define the following technical attributes of consumption function.
   (i)   APC   (ii) APS   (iii) MPC   (iv) MPS

Part – B

Answer any four questions.   **(4 x 10 = 40)**

8. List out the assumptions of classical theory of employment.
9. Explain the classical theory with savings and investment.
10. Explain the effect of shift in the labour supply.
11. Discuss the concept of rational expectation when the policy change is anticipated?
12. When autonomous consumption (C_0) = 400, MPC (b) = 0.7 and income (Y) = 5000, 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 6000
    (iii)   both change as indicated in (i) and (ii)
13. Distinguish Jorgenson's Neo-Classical theory and Keynesian theory of Investment.
14. State the features of general disequilibrium model with its effects.

Part – C

Answer any two questions.   **(2 x 20 = 40)**

15. Discuss the Keynesian grounds to criticize the classical theory of employment.
16. Discuss the endogenous factors which affect the investment function.
17. What are the modifications that have been made upon Phillips Curve?
18. Discuss the concept of Neo-Classical theory of general equilibrium and disequilibrium.

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