

18. (a) Explain the concept of propensity to consume and show how it occupies a strategic position in the theory of employment.

Or

- (b) Keynes' discovery of the consumption function must be regarded as one of the major breakthrough of modern economics – Discuss.
19. (a) Explain the determinants of investment. What are the criticisms leveled against MEC?

Or

- (b) Explain the meaning and working of acceleration principle. What are its limitations?
20. (a) Discuss the objectives of macro economic policy.

Or

- (b) Explain critically the cost benefit approach.
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M.A. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2010.

First Semester

Economics

MACRO ECONOMICS — I

(For those who joined in July 2008 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

1. What is national income?
2. What is meant by flow of funds accounting?
3. What is an effective demand?
4. What do you mean by money market equilibrium?
5. What are the subjective factors affecting the propensity to consume?
6. Write a note on life cycle hypothesis.
7. Define the concept of super multiplier.

8. Analyse the relationship between MEC and the level of investment.
9. What is macro economic policy?
10. What are the instruments of macro economic policy?

PART B — (5 × 5 = 25 marks)

Answer ALL questions choosing either (a) or (b).

11. (a) What is social accounting? Explain the difficulties of social accounting.

Or

- (b) Explain the process of circular flow of income and product in a two sector economy.

12. (a) Explain critically the real balance effect.

Or

- (b) Is it possible to have equilibrium in the level of national income without achieving full employment?

13. (a) Explain the term “marginal propensity to consume” and “average propensity to consume”.

Or

- (b) Discuss the absolute income theory of consumption.

14. (a) What do you mean by induced investment? Discuss the factors which affect the inducement to investment.

Or

- (b) Explain the factors determining acceleration co-efficient.

15. (a) Discuss the nature of macro economic policy.

Or

- (b) Explain the fixed target approach.

PART C — (5 × 8 = 40 marks)

Answer ALL questions choosing either (a) or (b).

16. (a) Examine the usefulness of the concept of national income in analysing the economic welfare of the people.

Or

- (b) Explain the input-output transaction analysis of national income accounting.

17. (a) Describe the Walrasian general equilibrium model.

Or

- (b) “The logical starting of Keynes’s theory of employment is the principle of effective demand” – Discuss.