

Time: Three hours

Maximum : 75 marks

Part A - (10X1=10 marks)

Answer ALL the questions, Choose the correct answer

1. According to Classical economist the rate of interest is a purely  
a) Real phenomenon                      b) Monetary phenomenon  
c) Both 'a' and 'b'                      d) Fiscal Phenomenon
2. According to Keynes, transactions and precautionary motive are  
a) Relatively interest inelastic                      b) Highly income elastic  
c) Both 'a' and 'b'                      d) neither 'a' nor 'b'
3. In Fisher's equation 'PT' is known as  
a) Demand for money                      b) Supply of money  
c) Legal tender money                      d) Credit money
4. In Keynesian approach, the actual savings and actual investment are always  
a) Negative    b) Equal                      c) Inverse    d) None of the above
5. The Rational Expectation Hypothesis is belonging to  
a) Classical economics                      b) Neo classical economics  
c) Keynesian economics                      d) New classical economics
6. Macroeconomics disequilibrium as resulting of markets produced as a  
a) Ethical prices                      b) False prices  
c) Both 'a' and 'b'                      d) neither 'a' nor 'b'
7. In say's law of market, the role of money is  
a) Non neutral                      b) Flexible  
c) Neutral                      d) None of the above
8. If effective demand of a country increases which of the following will increase?  
a) Employment                      b) Inflation  
c) Interest rate                      d) Money supply
9. The phases of a business cycle are  
a) Recovery, Prosperity, Recession and Depression  
b) Recession, Depression, Recovery and Prosperity  
☒ c) Depression, Recovery, Prosperity and Recession  
d) Recovery Prosperity, Depression and Recession
10. According to macroeconomics policy the full employment is always related to  
a) Fiscal deficit                      b) BOP deficit  
c) Inflation                      d) All the above

**Part B - ( 5 X 5 = 25 Marks )**

**Answer All questions, Choosing either (a) or (b)**

**Each answer should not exceed 250 words**

11. a) Explain the Classical theory of interest  
(or)  
b) Discuss the loanable fund theory of interest
12. a) Write a note on Fisher's quantity theory of money  
(or)  
b) How the Keynesian theory of money superior over traditional quantity theory of money
13. a) State the basic propositions of the rational expectation hypothesis  
(or)  
b) What are the main features of supply side economics?



14. a) 'Supply creates its own demand' – Explain this statement

(or)

b) Elucidate the Keynes's criticism of classical theory of employment

15. a) Briefly explain the goals of macroeconomic policy

(or)

b) Bring out the objectives of monetary policy

Part C – (5 X 8 = 40)

Answer All questions, Choosing either (a) or (b)

Each answer should not exceed 600 words

16. a) How are rate of interest and national income determined simultaneously in an economy? – Discuss

(or)

b) Critically discuss the Keynesian theory of liquidity preferences as an explanation of the determination of the interest rate

17. a) Describe the macro major propositions of income theory and its limitations

(or)

b) 'Saving and investment are always equal' and 'Saving and investment are equal in equilibrium'. Comment these statements

18. a) Critically examine the Laffer curve

(or)

b) Analyse the rational expectationists' position on inflation – unemployment trade-off?

19. a) 'The intersection of the aggregate supply and aggregate demand function determines the equilibrium level of output and employment' – Discuss

(or)

b) Test the validity of Keynesian tools to underdeveloped countries

20. a) Examine the effectiveness of monetary and fiscal policies in terms of the IS and LM functions

(or)

b) What is inflation? Suggest suitable measures to control it