



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION - ECONOMICS

FIRST SEMESTER – APRIL 2013

EC 1807 - MACRO ECONOMIC THEORY - I

Date : 30/04/2013
Time : 9:00 - 12:00

Dept. No.

Max. : 100 Marks

Part – A

Answer any FIVE questions in about 75 words each.

(5 x 4 = 20 marks)

1. Write a short note on neutrality of money.
2. Distinguish between frictional unemployment and structural unemployment.
3. What is the difference between capital and investment?
4. List out the components of user cost of capital.
5. State the implications of Keynes Psychological law of consumption.
6. What are NAIRU curves?
7. What is the essence of Lucas critique?

Part – B

Answer any FOUR questions in about 300 words each.

(4 x 10 = 40 marks)

8. Explain the importance of the assumption 'Wage-price downward flexibility' in the Classical model.
9. Explain the various objective factors determining consumption function.
10. Briefly explain the working of J.B. Say's law of market. What are its' implications?
11. Discuss the fixed Acceleration theory of investment.
12. Distinguish between demand pull inflation and cost push inflation. Explain the relationship between them?
13. 'Perfect foresight model is superior to the aggregate demand and supply model' – Discuss.
14. Bring out the relationship between unemployment and inflation with illustration.

Part – C

Answer any TWO questions in about 900 words each.

(2 x 20 = 40 marks)

15. Discuss in detail the Classical theory of employment without saving and investment.
16. Critically examine the Jorgenson's model of investment.
17. Briefly explain the determination of equilibrium rate of interest and income using IS-LM model with government sector.
18. Explain the Rational Expectation model.
