



**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**

**M.A.DEGREE EXAMINATION –ECONOMICS**

**FIRST SEMESTER – APRIL 2019**

**16/17/18PEC1MC02– MACRO ECONOMIC THEORY - I**

Date: 05-04-2019

Dept. No.

Max. : 100 Marks

Time: 01:00-04:00

**Part A**

**Answer any FIVE of the following; not exceeding 75 words each:**

**5 x 4 = 20Marks**

1. State the assumptions of the Classical theory?
2. State any three differences between Classical and Keynesian economics.
3. Explain Partial crowding effect.
4. Define Menu cost.
5. What do you mean by Reverse causation?
6. List out the reasons for a vertical long run Phillips curve.
7. Write a note on Propagation Mechanism.

**Part B**

**Answer any FOUR of the following; not exceeding 300 words each:**

**4 x 10 = 40Marks**

8. Why is full employment considered as a special case?
9. Derive AD curve with a help of IS-LM.
10. Describe the Efficiency Wage Model.
11. Describe the role of monetary policy and misperception theory.
12. Explain the shifts in Phillips curve.
13. What are the objective factors that determine consumption?
14. Consider the following data and drive IS&LM and determination of  $r$  and  $Y(10)$

$$C=60+0.8Y_d, I=20-5r, G=T=40, M_s=90, M_d=Y-10r.$$

**Part C**

**Answer any TWO of the following, not exceeding 1200 words:**

**2x 20= 40Marks**

15. Elaborate the role of monetary and fiscal policy in the Keynesian model of wage and price rigidity.
16. Within the IS-LM curve model, show how income and interest rates are affected by each of the following changes (i) an change in government spending (ii)an increase in tax.
17. Explain the Expectation-Augmented Phillips curve.
18. Explain Real Business cycle theory.

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