



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

**M.A. DEGREE EXAMINATION – ECONOMICS**

**FIRST SEMESTER – NOVEMBER 2017**

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

Date: 04-11-2017

Dept. No.

Max. : 100 Marks

Time: 01:00-04:00

**Part – A**

**Answer any FIVE questions in about 75 words each.**

**(5 x 4 = 20 marks)**

1. Distinguish between Classical and Keynesian views on full employment.
2. Write a short note on functional equality.
3. State the difference between Marginal Productivity of Capital and Marginal Efficiency of Capital.
4. What is meant by Rational Expectations?
5. Comment on neutrality and non-neutrality of money.
6. What do you understand by menu cost? Why is it important?
7. Write a short note on Phillips curve.

**Part – B**

**Answer any FOUR questions in about 300 words each.**

**(4 x 10 = 40 marks)**

8. State the Keynes psychological law of consumption and mention its implications.
9. “Investment and saving are always equal but they are not always in equilibrium”. – Discuss.
10. Prove that Loanable funds theory and Liquidity preference theory taken separately are indeterminate.
11. Define aggregate supply function and illustrate the derivation of the aggregate supply curve.
12. Explain the differences in outcome between unanticipated and anticipated changes in money supply in the Classical business cycle analysis.
13. What is meant by price stickiness? Explain the causes for price stickiness.
14. Analyse the cost of inflation and suggest measures for reducing both inflation and inflationary expectations.

**Part – C**

**Answer any TWO questions in about 1200 words each.**

**(2 x 20 = 40 marks)**

15. Critically examine the Classical model with saving and investment.
16. Explain the Real Business Cycle theory and state its limitations.
17. Discuss in detail the Efficiency Wage Model and the determination of the level of unemployment.
18. Explain the causes for shift in Phillips curve. Can the Phillips curve be thought of as a trade-off of inflation-unemployment combinations? Substantiate your answer.

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