# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

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

FIRST SEMESTER – **NOVEMBER 2018**

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

Date: 24-10-2018      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 = 20 Marks**

1. What are the features of classical economics?
2. State the different types of investment.
3. Give a brief account of the reasons for rigidity of wages.
4. What do you mean by Propagation mechanism?
5. List out the factors that determine the steepness of the IS curve.
6. How is effective demand determined?
7. Define Natural rate of unemployment.

## Part B

**Answer any FOUR of the following not exceeding 300words each:**      **4 x 10 = 40 Marks**

8. Explain Keynesian theory of employment.
9. Derive LM curve.
10. Explain the shifts in AD curve.
11. Describe the role of technological shocks in causing business cycle.
12. Explain Phillips Curve.
13. Describe the cost of Unemployment.
14. With the following data of an economy, $C=100+0.6(Y-T)$, $I=400-20r$, $G=200$, $T=100$, $M_d=0.5Y-2r$, $M_s=400$. Find the equilibrium income (Y) and equilibrium rate of interest (r).

## Part C

**Answer any TWO of the following not exceeding 1200words each:**      **2 x 20 = 40 Marks**

15. Discuss the determinants of the classical theory of output and employment.
16. Explain Real Business cycle theory.
17. Explain Keynesian business cycle
18. Describe the shifts in Phillips curve and explain the impact of monetary and fiscal policies on Phillips curve.

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