 LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**M.A.** DEGREE EXAMINATION - **ECONOMICS**

FIRST SEMESTER – **NOVEMBER 2012**

# EC 1807 - MACRO ECONOMIC THEORY - I

Date : 05/11/2012 Dept. No. Max. : 100 Marks

Time : 1:00 - 4:00

**Part – A**

**Answer any FIVE questions in about 75 words each: (5 x 4 = 20 marks)**

1. ‘Money is veil’ – Give your comments on this statement.
2. Distinguish between MEC and MEI.
3. What is the difference between gross investment and net investment?
4. What is meant by user cost of capital?
5. Write a short note on Tatonnement hypothesis.
6. What is the essence of Lucas critique?
7. How does foreign exchange bottleneck affect a developing country?

**Part – B**

**Answer any FOUR questions in about 300 words each: (4 x 10 = 40 marks)**

1. Trace the effect of change in money supply in the Classical Theory of Employment.
2. State and explain the Keynes Psychological law of consumption. What are its implications?
3. Bring out the Classical and Keynes’ views on Full employment.
4. Briefly explain the determination of equilibrium rate of interest and income using IS-LM model with government sector.
5. Discuss the fixed acceleration theory of investment.
6. Bring out the main approaches to general equilibrium.
7. Compare and contrast the simple aggregate demand and aggregate supply model with the perfect foresight model.

**Part – C**

**Answer any TWO questions in about 900 words each: (2 x 20 = 40 marks)**

1. Discuss in detail the working of J.B. Say’s law of market in a Barter and Money economy. What are its’ implications?
2. Elaborate the Patinkin’s general equilibrium model.
3. Critically examine the Jorgenson’s model of investment.
4. “Inflation may originate because of cost-push but it can’t be sustained for long unless it is supported by demand-pull inflation” – Discuss.

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