



**DEPARTMENT OF ECONOMICS**  
**Nambol L. Sanoi College, Nambol**

**Question Bank**

**4<sup>th</sup> Semester- ECO: SE 44**

**[MACROECONOMICS]**

**Very Short Answer (3 marks)**

- 1. Unit I: Theories of Income and Employment [Classical Model]**
  - What does Quantity theory of money state? (2016)
  - State Say's Law of Market. (2017)
  - Name the 3 pillars of classical theory of income and employment. (2018)
- 2. Unit II: Theory of Income and Employment [Keynesian Model]**
  - Distinguish between 'average propensity to consume' and 'marginal propensity to consume'. (2016)
  - State Keynes' psychological law of consumption. (2017)
  - Point out 3 leakages in the working of investment multiplier. (2018)
- 3. Unit III: Neoclassical Synthesis**
  - Write down the conditions under which the IS curve may shift. (2016)
  - What does LM curve show. (2017)
  - What is IS curve. (2018)
- 4. Unit IV: Inflation, Money**
  - Mention 3 factors that influences the stock of high-powered money in India. (2016)
  - What is Phillips curve? (2017)

- What is high powered money. (2017)

#### **5. Unit V: Growth Theory**

- Write the 3 basic functional relationship on which all one sector growth models are generally based. (2016, 2018)
- Point out the basic assumptions underlying all one sector growth models. (2017)

#### **Short Answer (5 marks)**

##### **1. Unit I: Theories of Income and Employment [Classical Model]**

- Delineate, after the classical economists, the relationship among saving, investment and rate of interest. (2016)
- Explain briefly the classical view with regard to the relationship between wage price flexibility and full employment. (2017)
- Explain in brief the quantity theory of money. (2018)

##### **2. Unit II: Theory of Income and Employment [Keynesian Model]**

- State the factors that stimulates marginal efficiency of capital. (2016)
- Distinguish between MPC and APC. (2017)
- Explain the principle of acceleration. (2018)

##### **3. Unit III: Neoclassical Synthesis**

- Point out the weakness of IS-LM curve model. (2016)
- Point out the determinants of the slope of the IS curve. (2017)
- Derive LM curve from the money market equilibrium. (2018)

##### **4. Unit IV: Inflation, Money**

- Describe briefly the alternative measures of money supply adopted by RBI. (2016)
- Describe the effects of inflation on distribution. (2017)
- Analyze the components of alternative measures of money supply in India. (2018)

##### **5. Unit V: Growth Theory**

- Explain briefly the stylized facts of growth introduced by Nicholas Kaldor. (2016)

- Explain briefly the dynamics of economic growth. (2017, 2018)

**Long answer (10/12 marks)**

**1. Unit I: Theories of Income and Employment [Classical Model]**

- State and explain Say's Law of Markets. On What ground has it been criticized by Keynes. (2016, 2018)
- Analyze the relationship between wage flexibility and full employment under the classical system. State Keynes' objections to the classical view. (2016)
- Explain with appropriate diagrams the classical theory of income and employment. Show how a change in money supply does not affect the real sector in the classical system. (2017)
- Critically examine Fisher's quantity theory of money. (2017)
- Analyze the conditions of equilibrium in the labour market in the classical theory of income and employment. What conclusion can you draw from the analysis? (2018)

**2. Unit II: Theory of Income and Employment [Keynesian Model]**

- Explain the Keynesian model of income determination. Why is it regarded as 'too static and too aggregative'? (2016)
- What is accelerator? Explain its working. (2016)
- Discuss the Keynesian theory of investment multiplier. What are its limitations. (2017)
- Define marginal efficiency of capital. State the factor which stimulate the marginal efficiency of capital. (2017)
- Define consumption function. Explain the factors which affects the consumption function. (2018)
- What is liquidity preference? How does it determine the rate of interest? Discuss. (2018)

**3. Unit III: Neoclassical Synthesis**

- Derive the IS and LM functions. How do they determine general equilibrium of the economy? Explain. (2016, 2018)

- Analyze through the IS-LM curve general equilibrium framework the relative effectiveness of monetary and fiscal policies in raising the level of the real income and influencing the rate of interest. (2016)
- In the IS-LM curve framework, show the effect of the following policy measures on income and rate of interest:
  - a) An expansionary monetary policy
  - b) A contractionary monetary policy
  - c) An expansionary fiscal policy (2017)
- Derive the LM curve. Show how the LM curve is altered, if
  - a) The nominal supply of money decreases.
  - b) The real demand for money decreases. (2017)
- Using IS-LM curve model, show that fiscal policy is more effective at low rate of interest and low level of income, while monetary policy is more effective when the levels of income and rate of interest are high. (2018)

#### 4. Unit IV: Inflation, Money

- Discuss cost-push theory of inflation. How can cost-push inflation be controlled? (2016)
- What is Phillips curve? What are its policy implications? (2016, 2018)
- What is inflation? Examine various measures that can be used to control inflation. (2017)
- Define money supply. Discuss the alternative measures of money supply adopted in India. (2017)
- Discuss demand pull theory of inflation. How can demand pull inflation be controlled? (2018)

#### 5. Unit V: Growth Theory

- Explain the main features of the Harrod- Domar model of economic growth. What are the shortcomings of the model? (2016)
- Give an outline of Solow's model of economic growth and point out the defects of the model. (2016, 2017)
- Discuss Harrod- Domar model of economic growth. To what extent the model is applicable to the underdeveloped countries? Explain (2017, 2018)

- **Bring out the main features of Solow model of economic growth. State its main assumptions. (2018)**

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