

Reg. No .....

Name .....

**22P1018**

**M. A DEGREE END SEMESTER EXAMINATION : OCTOBER 2022**

**SEMESTER 1 : ECONOMICS**

**COURSE : 21P1ECOT02: MACROECONOMIC THEORY AND POLICY**

*(For Regular - 2022 Admission and Supplementary - 2021 Admission)*

Duration : Three Hours

Max. Weights: 30

**PART A**

**Write a short note on Answer any 8 questions**

**Weight: 1**

- |                          |                    |
|--------------------------|--------------------|
| 1. Aggregate Supply      | (R, CO 1)          |
| 2. Keynes effect         | (U, CO 1)          |
| 3. Ricardian equivalence | (R, CO 1)          |
| 4. Pigou effect          | (U, CO 1)          |
| 5. Liquidity constraints | (U, CO 2)          |
| 6. Life time utility     | (U, CO 2)          |
| 7. Accelerator model     | (U, CO 3)          |
| 8. Desired capital       | (U, CO 3)          |
| 9. Innovations           | (U, CO 4)          |
| 10. Recession            | (U, CO 4)          |
|                          | <b>(1 x 8 = 8)</b> |

**PART B**

**Answer any 6 questions**

**Weights: 2**

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|---|---------------------|
| 11. What are the effects of an adverse supply shock? Discuss.   | (An, CO 1)          |
| 12. Discuss the effects of a decrease in government budget deficit on the AD-AS curves.   | (An, CO 1)          |
| 13. How do the life-cycle and permanent income hypothesis resolve the seemingly contradictory pieces of evidence regarding consumption behavior?  | (An, CO 2)          |
| 14. Why the average propensity to consume will be smaller at higher levels of a family's income and larger at lower levels of a family's income according to the life cycle hypothesis? | (An, CO 2)          |
| 15. Critically examine capital structure irrelevance theorem.   | (An, CO 3)          |
| 16. Elucidate the flexible version of accelerator theory.   | (U, CO 3)           |
| 17. Discuss briefly the macro economic impacts of global recession on Indian economy.   | (R, CO 4)           |
| 18. Briefly discuss the important differences between Hicksian theory of trade cycle and Kaldor's theory of trade cycle.  | (U, CO 4)           |
|   | <b>(2 x 6 = 12)</b> |

**PART C**  
**Answer any 2 questions**

**Weights: 5**

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|-----|---|---------------------|
| 19. | Critically examine the adequacy of the IS-LM apparatus to explain the efficiency of monetary and fiscal policies. | (E)                 |
| 20. | Explain how labour market reaches equilibrium according to classicals.  | (U, CO 2)           |
| 21. | Critically explain Neo-classical theory of investment.  | (E, CO 3)           |
| 22. | Explain the causes, effects and recovery of the Great Depression.   | (R, CO 4)           |
|     |   | <b>(5 x 2 = 10)</b> |

**OBE: Questions to Course Outcome Mapping**

CO	Course Outcome Description	CL	Questions	Total Wt.
CO 1	Evaluates Keynesian Income Expenditure model and IS-LM model up to four sectors.	E	1, 2, 3, 4, 11, 12	8
CO 2	Understands the concept of consumption and consumption functions and various consumption theories along with knowledge about labour market searches and unemployment.	U	5, 6, 13, 14, 20	11
CO 3	Develops an understanding about the concept and types of investment and compares Keynesian and Post-Keynesian investment theories.	E	7, 8, 15, 16, 21	11
CO 4	Understands the concept and theories of trade cycle and analyses global recession and its policy implications.	U	9, 10, 17, 18, 22	11

Cognitive Level (CL): Cr - CREATE; E - EVALUATE; An - ANALYZE; A - APPLY; U - UNDERSTAND; R - REMEMBER;