M. A. DEGREE END SEMESTER EXAMINATION : NOVEMBER 2025

SEMESTER 1 : ECONOMICS

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

(For Supplementary -2023/2022/ 2021 Admissions)

Time : Three Hours   Max. Weights: 30

PART A
Answer any 8 questions   **Weight: 1**

1.	Under employment equilibrium.	(U, CO 1)
2.	Open economy.	(R, CO 1)
3.	Switch points.	(R, CO 4)
4.	Housing market bubble.	(U, CO 4)
5.	Life-cycle hypothesis.	(R, CO 2)
6.	Demand for capital.	(U, CO 3)
7.	Inter-temporal Choice.	(U, CO 2)
8.	Flexible exchange rate.	(U, CO 1)
9.	Effective demand.	(R, CO 1)
10.	MEC	(R, CO 3)

(1 x 8 = 8)

PART B
Answer any 6 questions   **Weights: 2**

11.	Write a note on Political business cycle theory.	(U, CO 4)
12.	Briefly explain q-theory of investment.	(U, CO 3)
13.	Write a note on Keynesian theory of income determination in a three sector economy?	(U, CO 1)
14.	Discuss the Classical and Keynesian approach to aggregate supply curve.	(An, CO 1)
15.	Give a brief criticism of Keynes' absolute income hypothesis.	(U, CO 2)
16.	Explain why APC remains low in Keynes absolute income hypothesis.	(U, CO 2)
17.	Distinguish between gross investment and net investment.	(U, CO 3)
18.	Briefly discuss the important differences between Samuelson's and Hicksian theory of trade cycle.	(U, CO 4)

(2 x 6 = 12)

PART C
Answer any 2 questions   **Weights: 5**

19.	Explain the accelerator theory of investment.	(U, CO 3)
20.	What is meant by the equilibrium level of national income? Why is the equilibrium level of income and output supposed to be stable where AD=AS?	(An, CO 1)
21.	Write an essay on the Political theory of trade cycle by Nordhaus?	(R, CO 4)
22.	Explain why changes in consumption are unpredictable if consumers obey the permanent income hypothesis and have rational expectations.	(An, CO 2)

(5 x 2 = 10)

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, 8, 9, 13, 14, 20	13
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, 7, 15, 16, 22	11
CO 3	Develops an understanding about the concept and types of investment and compares Keynesian and Post-Keynesian investment theories.	E	6, 10, 12, 17, 19	11
CO 4	Understands the concept and theories of trade cycle and analyses global recession and its policy implications.	U	3, 4, 11, 18, 21	11

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