

(7 pages)

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Code No. : 5463

Sub. Code : WESM 31

M.A. (CBCS) DEGREE EXAMINATION,  
NOVEMBER 2024.

Third Semester

Economics — Core

ADVANCED MACRO ECONOMICS

(For those who joined in July 2023 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (15 × 1 = 15 marks)

Answer ALL questions.

Choose the correct answer :

1. In the classical model, what is the primary factor that ensures full employment?
  - (a) Government intervention
  - (b) Price flexibility
  - (c) Trade unions
  - (d) Minimum wage laws

2. Real business cycle theory assumes that business cycles are caused by ————
  - (a) Changes in the aggregate demand
  - (b) Changes in the supply of money
  - (c) Changes in productivity due to technology shocks
  - (d) Changes in international trade policies
3. Price rigidity refers to ————
  - (a) Prices that change frequently in response to market conditions
  - (b) Prices that are slow to adjust to shifts in supply and demand
  - (c) Prices set by the government
  - (d) Completely flexible prices
4. The ———— curve, which represents the equilibrium aggregate demand in the long run, is a horizontal line.
  - (a) Dynamic aggregate demand
  - (b) Surprise aggregate supply
  - (c) Long run aggregate demand
  - (d) Long run aggregate supply

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5. According to Keynesian business cycle theory, how should the government respond to a recession?
  - (a) Cut spending
  - (b) Raise taxes
  - (c) Stimulus aggregate demand
  - (d) Increase interest rates
6. Focus of the Mundell-Fleming model?
  - (a) Closed Economy
  - (b) Open Economy
  - (c) Both closed and open economy
  - (d) None above
7. The policy under a fixed exchange rate —————
  - (a) Monetary policy      (b) Fiscal policy
  - (c) Optional policy      (d) None above
8. A negative budget balance means —————
  - (a) Surplus                      (b) Balance
  - (c) Deficit                      (d) Equilibrium
9. The intersection of IS and LM curves represents?
  - (a) Government spending
  - (b) Money supply
  - (c) Market equilibrium
  - (d) Interest rate

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10. Policy ineffectiveness theorem applies to which policy?
  - (a) Monetary                      (b) Fiscal
  - (c) Trade                      (d) Supply
11. Is the stabilization policy used to manage?
  - (a) Employment
  - (b) Interest rate
  - (c) Economic fluctuation
  - (d) Trade balance
12. The relationship between output and employment is analyze using which curve?
  - (a) LM Curve                      (b) IS Curve
  - (c) AD-AS                      (d) Phillips curve
13. Keynesian theory emphasizes the role of which policy in affecting output and employment?
  - (a) Monetary policy      (b) Fiscal policy
  - (c) Industrial policy      (d) Trade policy
14. Tinbergen's method often uses what type of equations?
  - (a) Linear                      (b) Non-linear
  - (c) Differential                      (d) Algebraic

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15. The concept of "Endogenous growth" is associated with?

- (a) Neo classical theory
- (b) New classical theory
- (c) Solow model
- (d) Romer model

PART B — (5 × 4 = 20 marks)

Answer ALL questions, choosing either (a) or (b).  
Each answer should not exceed 250 words.

16. (a) Explain the assumptions underlying the classical theory of employment and output.

Or

(b) Discuss the characteristic features of the IS-LM graph.

17. (a) Point out the wage and price rigidity in market failure.

Or

(b) Elaborate the limitations of rational expectations hypothesis.

18. (a) Discuss the concept of full employment.

Or

(b) Briefly explain the assumptions of rational expectations.

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19. (a) Explain the stages of the business cycle.

Or

(b) State and bring out the role of stabilization policies.

20. (a) Explain the open economy and closed economy.

Or

(b) Define the crowding out effect in an economy.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).  
Each answer should not exceed 600 words.

21. (a) Critically analyse the theory of output and employment.

Or

(b) Examine the IS-LM model with diagrammatical representation.

22. (a) Illustrate the Mundell Fleming model in detail.

Or

(b) Elaborate crowding out effect.

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23. (a) Analyse the role of stabilization policy in unemployment.

Or

- (b) Examine the Keynesian business cycle theory in detail.

24. (a) Write an essay about the rational expectations hypothesis.

Or

- (b) Compare the classical and neo-classical theory of output and employment.

25. (a) Explain the Keynesian's DAD-DAS model with diagrammatic representation.

Or

- (b) Analyse Tinbergen's approach to economic policy in detail.
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