

(6 pages)

Reg. No. : .....

**Code No. : 7276**

**Sub. Code : ZESM 22**

M.A. (CBCS) DEGREE EXAMINATION,  
APRIL 2023

Second Semester

Economics – Core

MACRO ECONOMICS THEORY AND  
ANALYSIS – II

(For those who joined in 2021 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. In explaining the level of employment, Keynes emphasized,
  - (a) Changes in technology
  - (b) Aggregate demand
  - (c) Inflationary expectations
  - (d) Aggregate supply

2. The two cornerstones of classical economics are
  - (a) The Phillips Curve and Say's Law
  - (b) The Quantity Theory of Money and the Liquidity Preference Theory
  - (c) Say's Law and the Quantity Theory of Money
  - (d) Say's Law and the Liquidity Preference Theory
3. According to Baumol-Tobin Model the role of money is
  - (a) Medium of exchange
  - (b) Store of value
  - (c) Unit of account
  - (d) Nil
4. According to post-Keynesian economists which of the following is correct
  - (i) Money supply responds to the demand for bank credit
  - (ii) A central bank cannot control the quantity of money
  - (iii) A central bank manages the interest rate by managing the quantity of monetary reserves.
  - (a) (i) and (ii)
  - (b) (i) and (iii)
  - (c) (ii) and (iii)
  - (d) (i), (ii) and (iii)

Page 2

**Code No. : 7276**





5. The main concept of Keynesian theory of aggregate demand is measured as the sum of spending by
  - (a) Households and the businesses
  - (b) Households, businesses, and the government
  - (c) Households, businesses, government and the foreign trade
  - (d) Households, businesses, government, foreign trade and the foreign remittances
6. The Keynesian view of the macro economy may adjust only slowly to shifts in aggregate demand because of
  - (a) sticky wages and prices
  - (b) Wage and price flexibility
  - (c) Liquidity preference
  - (d) Fiscal policy adjustment
7. In the new Keynesian models,
  - (a) A natural monopoly is presumed for the product market
  - (b) Perfect competition is assumed with respect to the product market
  - (c) A unnatural monopoly is presumed for the product market
  - (d) Imperfect competition comes is the result of optimizing behavior by individuals

Page 3

Code No. : 7276

8. A core tenet of New Keynesian economic theory is
  - (a) Flexible-Price
  - (b) Rigid-price
  - (c) Price-stickiness
  - (d) Menu cost
9. A change in aggregate demand shifts
  - (a) The IS curve only
  - (b) LM curve only
  - (c) Both IS and LM curves
  - (d) Neither IS nor LM curves
10. The Keynesian IS-LM model is a model of
  - (a) Partial equilibrium
  - (b) Disequilibrium
  - (c) Equilibrium
  - (d) Money market equilibrium

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Briefly Explain the classical model of income and employment with a diagram.
- Or
- (b) Can the IS-LM model applied to the government sector? If so shortly discuss.

Page 4

Code No. : 7276

[P.T.O.]





12. (a) What are the differences between Keynesian and Post Keynesian approach regarding transaction demand for money?

Or

- (b) Diagrammatically explain the Tobins's Liquidity preference function.
13. (a) How point of effective demand is determined in Keynesian system?

Or

- (b) Why did Keynes call as saviour of Great depression?
14. (a) Give the reasons for Sticky Prices.

Or

- (b) What are the common elements of New Keynesian models?
15. (a) Summarise the goals of macroeconomic policies

Or

- (b) Illustrate the effectiveness of monetary and fiscal policy by using elasticity of LM curve.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Give a detail account of how is the rate of interest purely "a monetary phenomenon." and how is determined?

Or

- (b) Discuss the Keynesian theory of income output and employment.

17. (a) Evaluate the Baumol's transitions demand for money.

Or

- (b) Trace out the crisis in Keynesian economics.

18. (a) Explain the Mundell- Fleming model.

Or

- (b) Describe the main tools of Keynesian Economies. To what extent did these tools overcome the great depression?

19. (a) Examine the Mankiw's Menu — cost model.

Or

- (b) Explain policy implications of New Keynesian economics and unemployment.

20. (a) Show with IS — LM model how Keynes succeeded in interrogating money market with goods market.

Or

- (b) Assess the effectiveness of monetary policy in influencing level of national output with the help of IS-LM curve.

