18. (a) Outline the budge deficit and inflation.

Or

(b) Explain the government budget constraint.

19. (a) Examine the significance of effective demand.

Or

(b) Write a note on Theory of Unemployment.

20. (a) Discuss the Fiscal policy and monetary policies with fixed exchange rates.

Or

(b) Distinguish between Fixed exchange rates and Flexible exchange rates.

SECTION C — (3 × 10 = 30)

Answer any THREE questions.

21. Analyse the New Classical Critique of Micro Foundations.

22. Elaborate Phillips curve and the aggregate supply curve.

23. Discuss the Criticisms of the rational expectations hypothesis.

24. Evaluate the Walrasian general equilibrium model.

25. Explain the global cooperation and coordination in Macro Economic policy.

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S.No. 8104 **P 22 ECCC 22**

(For candidates admitted from 2022–2023 onwards)

M.A. DEGREE EXAMINATION, NOVEMBER 2023.

Economics

MACRO ECONOMICS — II

Time : Three hours Maximum : 75 marks

SECTION A — (20 marks)

Answer ALL questions.

I. (A) Multiple choice questions : (5 × 1 = 5)

1. Macro Economics as a separate branch came to be studied after the contributions of which economist?

(a) Adam Smith (b) John Maynard Keynes

(c) F. Hayek (d) Samuelson

2. The main objective of monetary policy in India is ________

(a) Growth with Stability

(b) Reduce Poverty and Achieve Stability

(c) Overall Monetary Stability

(d) None of These

3. One of the demerits of a flexible exchange rate is ————

(a) Uncertainty

(b) Instability of foreign exchange

(c) Adverse results due to the low rate

(d) All of the above

4. Which is not an open market operation?

(a) Central banks conduct auctions of reserves as repurchase agreements.

(b) Purchasing or selling government securities

(c) Purchasing and selling foreign exchange

(d) Making loans

5. Keynes rebelled against the neoclassical assumption. What does that mean?

(a) Prices are not flexible

(b) Inflation must be ignored in the short run

(c) Prices are fully flexible

(d) None of the above

(B) Fill in the blanks : (5 × 1 = 5)

6. ———— is the subject matter of Macro Economics.

7. In the neoclassical view, the price level is ————

8. The General Theory of Employment, Interest, and Money is the monumental work of ————

9. When prices rise at an extraordinarily fast rate, it is called ————

10. ———— controls the supply of money and bank credit.

II. Answer the following questions : (5 × 2 = 10)

11. What is meant by Rational Expectations?

12. Recall the Friedman.

13. Define Budget.

14. Write a note on effective demand.

15. What is meant by fiscal policy?

SECTION B — (5 × 5 = 25)

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

16. (a) Write a note on the New Classical Approach of empirical evidence.

Or

(b) Explain policy implications of new classical approach.

17. (a) Rules versus discretion - Discuss.

Or

(b) Explain the natural rate of Unemployment.