

KAMARAJ COLLEGE (Autonomous)

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(Affiliated to Manonmaniam Sundaranar University, Tirunelveli)

(4 Pages)

Reg. No:

Question Code:26E01007

Course Code : 24PMEC31

PG Degree - End Semester Examinations, April 2026

Third Semester

M.A. ECONOMICS

Advanced Macro Economics

(For those who joined in July 2024 onwards)

Time : 3Hours

Maximum : 75 Marks

PART - A (10 × 1 = 10 Marks)

Answer ALL Questions

Choose the correct answer :

- CO:1
K:2
1. According to the Classical theory, full employment in an economy is ensured by
- (a) Government intervention (b) Flexible wages and prices
- (c) Public expenditure (d) Fiscal deficit
- CO:1
K:1
2. In the IS-LM model, equilibrium in the goods market is represented by
- (a) LM curve (b) BP curve
- (c) IS curve (d) AD curve
- CO:2
K:1
3. According to Real Business Cycle theory, money is considered to be
- (a) The main cause of cycles (b) Harmful to growth
- (c) The only stabilization tool (d) Completely neutral

- C0:2
K:1 4. The Policy Ineffectiveness Proposition is associated with
(a) Lucas and Sargent (b) Keynes and Hicks
(c) Fisher and Marshall (d) Samuelson and Solow
- C0:3
K:1 5. New Keynesian economists emphasize the importance of
(a) Perfect price flexibility (b) Price and wage rigidities
(c) Absence of markets (d) Constant employment
- C0:3
K:2 6. New Keynesian business cycle theory supports the use of
(a) No government policy (b) Fixed wages
(c) Monetary neutrality (d) Stabilization policies
- C0:4
K:1 7. In an open economy, the exchange rate refers to
(a) Price of goods (b) Interest rate difference
(c) Value of one currency (d) Government expenditure
in terms of another
- C0:4
K:2 8. Under a flexible exchange rate system, exchange rates are
determined by
(a) Demand and supply of (b) IMF regulations
foreign exchange
(c) Government decision (d) International trade
agreements
- C0:5
K:1 9. Fiscal policy mainly involves changes in
(a) Exchange rates and (b) Government expenditure and
imports taxation
(c) Wages and (d) Exports and imports
employment
- C0:5
K:2 10. Rules versus Discretion debate in macroeconomic policy is
associated with
(a) Export promotion (b) Trade liberalization
(c) Policy predictability (d) Labour market reforms
and flexibility

PART - B (5 X 5 = 25 Marks)

Answer ALL Questions choosing either (a) or (b).

Answers should not exceed 250 words.

CO:1 11. (a) Illustrate how the AD-AS model explains the determination
K:2 of output and price level in the Classical framework.

(OR)

(b) Apply Keynesian theory to explain underemployment equilibrium.

CO:2 12. (a) Analyse the policy implications of the Real Business Cycle
K:4 theory.

(OR)

(b) Compare the New Classical approach with the Keynesian approach to macroeconomic policy.

CO:3 13. (a) Interpret the role of government intervention according to
K:2 the New Classical approach.

(OR)

(b) Examine the role of technology in explaining business cycles according to RBC theory.

CO:4 14. (a) Classify the major exchange rate regimes and explain their
K:4 characteristics.

(OR)

(b) Critically analyse the role of monetary policy in stabilizing a small open economy with reference to the Mundell-Fleming Model.

CO:5 15. (a) Demonstrate how fiscal policy can stabilize economic
K:2 fluctuations.

(OR)

(b) Use an example to explain the Crowding Out Effect caused by government borrowing.

PART - C (5 X 8 = 40 Marks)

Answer ALL Questions choosing either (a) or (b).

Answers should not exceed 600 words.

CO:1 16. (a) Apply the Classical theory of employment to explain how
K:3 wage flexibility ensures full employment equilibrium in the labour market.

(OR)

(b) Demonstrate the determination of equilibrium income and interest rate using the Hicks–Hansen IS–LM model.

CO:2 17. (a) Develop a conceptual model explaining the interaction
K:6 between rational expectations and aggregate supply.

(OR)

(b) Construct a DAD–DAS framework to explain macroeconomic fluctuations caused by productivity shocks.

CO:3 18. (a) Analyse the core propositions of New Keynesian
K:4 macroeconomics.

(OR)

(b) Compare New Keynesian and New Classical explanations of business cycles.

CO:4 19. (a) Explain the difference between Fixed Exchange Rate and
K:5 Floating Exchange Rate with suitable examples.

(OR)

(b) Apply the concepts of interest rates, capital flows, and exchange rates to explain their interaction in an open economy.

CO:5 20. (a) Evaluate the effectiveness of fiscal policy and monetary
K:5 policy in achieving macroeconomic stability.

(OR)

(b) Assess the advantages and limitations of rules versus discretion in macroeconomic policy.