

(6 pages)

Reg. No. :

Code No. : 30398 E Sub. Code : EMEC 41

B.A. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2025.

Fourth Semester

Economics — Core

MACRO ECONOMICS — II

(For those who joined in July 2023 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer.

1. Effective demand is determined by _____.
 - (a) Income
 - (b) Aggregate demand
 - (c) Aggregate supply
 - (d) Both (b) and (c)

2. Induced Investment is _____.
 - (a) Profit oriented
 - (b) Welfare oriented
 - (c) Both (a) and (b)
 - (d) None
3. Keynes theory is applicable to _____ countries.
 - (a) Undeveloped
 - (b) Developing
 - (c) Advanced capitalist
 - (d) All
4. The business cycle is defined as _____.
 - (a) An effort to reach full employment
 - (b) Changing wages and prices
 - (c) The growth of real GDP
 - (d) Alternating Period of economic growth and contraction
5. According to Quantity theory of money an increase in money supply leads to _____.
 - (a) Decrease in price level
 - (b) Increase in unemployment
 - (c) Proportional increase in price level
 - (d) No impact on the economy

6. Which of the following is the primary objective of monetary policy?
- (a) Maximizing government revenue
 - (b) Controlling inflation and stabilizing the economy
 - (c) Reducing population growth
 - (d) Promoting export
7. A low interest policy is also known as _____.
- (a) Dear money policy
 - (b) Cheap money policy
 - (c) Investment policy
 - (d) Income policy
8. The policy related with taxation and public debt is called as _____ policy.
- (a) Monetary
 - (b) Fiscal
 - (c) Interest
 - (d) Income
9. The Rational Expectations Hypothesis suggests that individuals make decisions based on _____.
- (a) Past Trends only
 - (b) Government Policies
 - (c) All Available Information
 - (d) Random

10. What is a key feature of the New Keynesian School?
- (a) Perfect competition
 - (b) Wage and price flexibility
 - (c) Market Failures and Sticky Prices
 - (d) Say's law

PART B — (5 × 5 = 25 marks)

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

Each answer should not exceed 250 words.

11. (a) How rate of interest determines the investment?
- Or
- (b) Describe Shifts in IS curve.
12. (a) What is the relation between macro economic variables and business cycle?
- Or
- (b) Describe the phases of business cycle.

13. (a) Explain the objectives of monetary policy in a developing economy.

Or

(b) Explain the instruments of monetary policy.

14. (a) Explain Fiscal Expansion.

Or

(b) Describe three ranges in LM curve.

15. (a) What are rational expectations?

Or

(b) Explain New Keynesian Model.

PART C — (5 × 8 = 40 marks)

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

Each answer should not exceed 600 words.

16. (a) What are the factors that determine volume of Investment?

Or

(b) Explain the various types of investment.

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17. (a) How to derive the IS-LM curve?

Or

(b) Explain the Hawtrey's theory of business cycle.

18. (a) Explain expansionary and restrictive monetary policy.

Or

(b) What are the instruments of monetary policy? Explain their working.

19. (a) Explain the role of fiscal policy in economic growth.

Or

(b) Differentiate between monetary policy and fiscal policy.

20. (a) Explain how the New Classical view differs from the Keynesian view of the way in which labour markets functions.

Or

(b) Discuss the key contributions of Robert Lucas to economic theory, with a focus on the Rational Expectations Hypothesis.

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