

(7 pages)

Reg. No. :

Code No. : 10332 E Sub. Code : EMEC 41

B.A. (CBCS) DEGREE EXAMINATION,
APRIL 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. Distinction between autonomous investment and induced investment has been made by
 - (a) Classical Economist
 - (b) Keynesian Economist
 - (c) Post Keynesian Economist
 - (d) Neo Classical Economist

2. In expected rate of return is greater than rate of interest, then _____.
 - (a) Investment remains stable
 - (b) Investment will fall
 - (c) Investment will increase
 - (d) Investment will decline
3. Under Keynes theory employment and output is determined by _____.
 - (a) Saving investment equality
 - (b) Production function
 - (c) Effective demand
 - (d) Demand for money and supply of money
4. According to Keynes, investment is determined by _____.
 - (a) National Income
 - (b) Interest
 - (c) Marginal efficiency of capital
 - (d) Income

5. Expansionary monetary policy is adopted during the period of _____.
- (a) Recession (b) Inflation
(c) Stagflation (d) Peak
6. Monetary Policy in India is prepared by _____.
- (a) Reserve Bank of India
(b) Finance Ministry
(c) State Bank of India
(d) Prime Minister
7. Which among the following is not a tool of fiscal policy?
- (a) Government expenditure rate
(b) Taxation
(c) Transfer payments
(d) Bank
8. Name the policy that accords with expenditure and taxation policies decisions of government.
- (a) Monetary policy
(b) Fiscal policy
(c) Labour market policy
(d) Trade policy
9. Which economist is most closely associated with the New Classical School?
- (a) Paul Samuelson
(b) Robert Lucas
(c) Adam Smith
(d) Keynes
10. Which of the following is a key assumption of the New Classical School?
- (a) Sticky prices
(b) Government intervention
(c) Rational expectation
(d) Demand management

PART B — (5 × 5 = 25 marks)

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

Each answer should not exceed 250 words.

11. (a) Define investment function along with its determinants.

Or

- (b) Explain the relation between (MEC) Marginal Efficiency of Capital and (MEI) Marginal Efficiency of Investment.

12. (a) Explain the classical theory of business cycle.

Or

(b) Explain the Schumpeter's innovation theory.

13. (a) State and explain the objectives of monetary policy in a developing economy.

Or

(b) Explain the functions of money.

14. (a) Explain IS-LM Model.

Or

(b) Explain the classical theory of fiscal policy.

15. (a) What is the rational expectation theory?

Or

(b) What did Robert Lucas Contribution in economics?

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PART C — (5 × 8 = 40 marks)

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

Each answer should not exceed 600 words.

16. (a) Analyse the various factors affecting induced investment.

Or

(b) Briefly examine the loanable funds theory of interest.

17. (a) Describes the measures to control business cycle.

Or

(b) Highlight the various phases of Business cycle.

18. (a) Explain expansionary and restrictive monetary policy and the role of monetary policy in a developing economy.

Or

(b) Explain the Keynesian theory of Fiscal policy.

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19. (a) Explain the limitations of Fiscal Policy.

Or

(b) Describe the various instruments of fiscal policy.

20. (a) What are rational expectations? How is monetary policy neutral in the rational expectations hypothesis?

Or

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