

**Avinashilingam Institute for Home Science and Higher Education for Women
Coimbatore-641 043**

Continuous Internal Assessment I- February, 2025

**Class: I PG
Major: Economics**

**Time: 2 hours
Maximum Marks: 60**

Semester-II

23MECC08- Macro Economic Theory- II

Course Outcomes:

CO1: Compare and assimilate classical and Keynesian approach to employment-output determination.

CO2: Understand the importance of wage flexibility and price expectations on output, employment and inflation.

CO3: Analyse the impact and relative strengths of fiscal and monetary policies in affecting gross domestic product.

CO4: Evaluate the New classical and New Keynesian approaches to macroeconomic issues

CO5: Apply Macroeconomic reasoning to analyse economic problems

Part-A

Choose the Correct Answer

6X1=6

1. Classical theory of employment assumes CO1: K1
(a) full employment equilibrium (b) under employment equilibrium (c) disguised unemployment equilibrium (d) cyclical unemployment equilibrium
2. Which is correct? CO2:K2
(a) Keynes theory is essentially static theory (b) Keynes theory is dynamic
(c) Keynes theory is general in all practical (d) Keynes theory is less theoretical and more practical
3. According to Pigou, the key to full employment is CO1:K3
(a) an increase in money wage (b) an increase in real wage (c) a reduction in money wage
(d) an increase in employment at the same level of wages
4. Equality between saving and investments is defined by CO3:K4
(a) goods market equilibrium (b) money market equilibrium (c) general equilibrium
(d) partial equilibrium
5. The short run Phillips curve is CO4:K3
(a) Upward sloping (b) Vertical (c) Downward sloping (d) Horizontal
6. Saving is a direct function of CO2:K3
(a) The level of interest (b) The level of income (c) The level of investment (d) The level of credit

Part-B

Answer should not exceed 200 words or one page

3X6=18

- 7a) Explain the relationship between price and output. CO1:K2
(or)
- 7b) How the effective demand is determined? CO2:K3
- 8a) Analyse the concept of full employment and how to reach it. CO3:K5
(or)
- 8b) Examine various principal objectives of macroeconomic policy. CO5:K4
- 9a) Derive an IS and LM curve give their properties. CO4:K3
(or)
- 9a) Distinguish between demand pull and cost push inflation. CO3:K4

Part -C

Answer should not exceed 600 words or four pages

3X12=36

- 10a) Classical economists assume "Full Employment will be Automatic" - comments your view. CO3:K5
(or)
- 10b) Explain the classical theory of employment on what ground Keynes. Criticized CO2:K2
- 11a) Discuss the intersection of the aggregate supply and aggregate demand function determines the equilibrium. CO3:K3
(or)
- 11b) Assess the theory of the Philips Curve with policy implications. CO4:K3
- 12a) Use the IS-LM framework to explain the joint determination of the rate of interest and the level of income. CO5:K4
(or)
- 12b) Comments your view on "General Equilibrium" through IS and LM. CO5:K5

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