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**M – 5842**

Reg. No. : .....

Name : .....

**First Semester M.A. Degree Examination, November 2021**

**Behavioural Economics and Data Science**

**BEDS-512 – MACRO ECONOMIC THEORY**

**(2020 Admission)**

Time : 3 Hours

Max. Marks : 75

**SECTION – I**

Answer **all** questions. Each question carries **1** mark.

1. Classical aggregate supply curve
2. Government expenditure multiplier
3. Paradox of saving
4. Fisher effect
5. Keynesian cross
6. Random walk hypothesis
7. Taylor rule
8. Ricardian equivalence
9. Monetary transmission mechanism
10. Drift hypothesis

**(10 × 1 = 10 Marks)**

**P.T.O.**



## SECTION – II

Answer any **seven** questions in less than **400** words. Each question carries **5** marks

11. Why perfect information on the part of all market participants about market prices is necessary for attaining equilibrium condition in labour market in the classical system?
12. Briefly examine the impact of a fiscal expansion under floating exchange rates with the help of a diagram
13. Examine the difference between the Inventory Theoretic Approach and the Portfolio Optimization Approach to demand for money.
14. Describe the role of price flexibility in attaining equilibrium in IS-LM model with labour market.
15. Explain how permanent income is measured? Why, has such a method of measurement, been subject to criticism?
16. Examine the importance of real balance in explaining the integration of the markets.
17. Describe how does money multiplier works in money supply process?
18. How important is capital-output ratio in explaining the state of the economy. Is the capital-output ratio constant over time?
19. Illustrate the Keynesian approach to balance of payments.
20. Suppose the economy is characterised by the following behavioural equations.  
 $C = 260 + 0.6Y_d$ ,  $I = 250$ ,  $G = 250$ ,  $T = 200$ .

Solve for the following variables:

- (a) Equilibrium GDP (Y)
- (b) Disposable Income
- (c) Consumption Spending (C).

**(7 × 5 = 35 Marks)**



### SECTION – III

Answer any **three** questions in less than **1200** words. Each question carries **10** marks.

21. Why do sticky wages and prices increase the impact of an economic downturn on unemployment and recession, according to Keynesians?
22. Examine Behavioural model of money supply determination.
23. Discuss Fischer's Intertemporal Choice model with budget constraint.
24. Critically examine the accelerator theory of investment.
25. Derive IS and LM curves? Examine how the inclusion of the government sector in two-sector model affects the IS-LM model of equilibrium analysis.

**(3 × 10 = 30 Marks)**

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