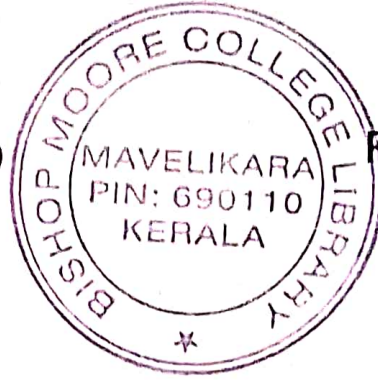


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Reg. No. :

Name :

First Semester M.A. Degree Examination, September 2022

Behavioural Economics and Data Science

BEDS 512 – MACRO ECONOMIC THEORY

(2020 Admission Onwards)

Time : 3 Hours

Max. Marks : 75

SECTION – I

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

1. Liquidity trap
2. User cost of capital
3. Classical dichotomy
4. The impossible trinity
5. Crowding out effect
6. Money multiplier
7. Tobin's q ratio
8. Induced investment
9. Consumption Puzzle
10. Asymmetric information

(10 × 1 = 10 Marks)

P.T.O.



SECTION – II

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

11. Describe Classical model of output and employment determination.
12. Describe the interplay between fiscal sustainability and public debt.
13. Suppose that the government increases taxes and government purchases by equal amounts. What happens to the interest rate and investment in response to this balanced budget change? Does your answer depend on the marginal propensity to consume?
14. Find simultaneous equilibrium for the goods and money market when $C=200+0.80Y_d$, $I=250-6i$, $T_x=0.25Y$, $G=200$, $L=0.20Y-2i$ and $M=250$.
15. Give a brief account of Mechanistic model of bank deposit determination.
16. How Life Cycle Hypothesis incorporates the short run and long run consumption behaviour?
17. Examine the difference in the impact of perfect capital mobility in a small country in contrast with a large country.
18. What is asset market equilibrium? Explain the two equivalent conditions for asset market equilibrium.
19. Write down the main idea behind Modigliani-Miller theorem.
20. Do you think, flexible accelerator model is consistent with the Keynesian theory? Explain the compatibility of the theories under the scenario of an interest rate cut.

(7 × 5 = 35 Marks)



SECTION – III

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

21. Explain the Friedman's restatement of the Quantity Theory of money.
22. With the help of a diagram, show how income and the interest rate are affected by each of the following in the IS-LM model.
 - (a) An increase in government spending and decrease in taxes.
 - (b) An increase in the money supply
23. Explain why Keynes' consumption theory considered unsatisfactory?
24. Illustrate how Mundell-Fleming model can be used to explain equilibrium in an open economy.
25. Discuss Neo-classical theory of investment.

(3 × 10 = 30 Marks)

