

D3BEM2301

Reg. No.....

Name:

THIRD SEMESTER B.Sc. DEGREE EXAMINATION, NOVEMBER 2024

(Regular/Improvement/Supplementary)

ECONOMICS & MATHEMATICS (DOUBLE MAIN)

GDEC3A01T: MACROECONOMICS I

Time: 2 ½ Hours

Maximum Marks: 80

SECTION A: Answer the following questions. Each carries *two* marks.

(Ceiling 25 marks)

1. Explain the concept of 'depreciation' in national income accounting.
2. According to Keynes, what is the primary cause of involuntary unemployment?
3. How do rational expectations differ from adaptive expectations?
4. What is the role of money in the Classical model?
5. State the concept of 'stagflation'.
6. What shifts the IS curve in the IS-LM model?
7. Define the natural rate of unemployment.
8. What fiscal multipliers are in the context of Keynesian economics?
9. How does the Classical theory explain unemployment?
10. What is the golden rule level of capital in the Solow model?
11. Briefly describe the endogenous growth theory.
12. What does Keynes mean by 'effective demand'?
13. What is the impact of a minimum wage on the labour market according to the classical model?
14. What is the difference between nominal GDP and real GDP?
15. How does an increase in the saving rate affect the steady state in the Solow model?

SECTION B: Answer the following questions. Each carries *five* marks.

(Ceiling 35 marks)

16. Analyze the role of wage flexibility in the classical theory of employment. How does wage flexibility contribute to full employment according to this theory?
17. Explain the shape and characteristics of the classical aggregate supply curve. Why is it considered vertical in the long run?

(PTO)

18. Elaborate the concept of convergence in the Solow model, and what conditions are necessary for convergence to occur?
19. Explain the major economic issues discussed in macroeconomics. Elucidate the role of government in managing major economic issues.
20. Explain the original Phillips curve. How does it describe the relationship between inflation and unemployment?
21. Discuss how aggregate demand and aggregate supply interact in Keynesian model of income determination.
22. How does technological progress lead to sustained economic growth in the Solow model? Discuss with appropriate graphs and equations.
23. Describe how the investment multiplier works in the Keynesian framework. What factors influence its size?

SECTION C: Answer any *two* questions. Each carries *ten* marks.

24. How do savings and investment decisions interact in the classical model to determine the equilibrium interest rate? Compare this theory with the Keynesian liquidity preference theory of interest rates.
25. Describe the IS-LM model and explain its components. How do the IS and LM curves interact to determine equilibrium output and interest rates?
26. Critically evaluate the impact of labour market rigidities on economic stability according to Classical and Keynesian models. Which model offers a more realistic explanation?
27. Discuss the expectations-augmented Phillips curve in detail. How does this model incorporate expectations, and what are the implications for inflation and unemployment dynamics?

(2 × 10 = 20 Marks)