K25P 1809

Reg. No. : ....

Name : ....

II Semester M.A. Degree (C.B.C.S.S. – OBE-Reg./Supple./Imp.) Examination, April 2025
(2023 and 2024 Admissions)
ECONOMICS/DEVELOPMENT ECONOMICS/APPLIED ECONOMICS
MAACO02C07/MADCO02C07/MAECO02C07 : Macro Economic Theory – II

Time : 3 Hours   Max. Marks : 60

SECTION – I

Short Answer Question **(Any 5).** **(5×3=15)**

1. Differentiate between anticipated and unanticipated inflation.
2. What is Efficient Market Hypothesis ?
3. Explain Walrasian tatonnement.
4. What is Natural rate of unemployment ?
5. Explain Ricardian equivalence theorem.
6. Define Rational expectation.

SECTION – II

Short Essay Questions **(Any 3)** **(3×6=18)**

7. Describe policies that can change the natural and cyclical rates of unemployment.
8. How does the concept of 'near rationality' explain price stickiness, and what is its broader economic implication ?
9. What role does rational expectations play in the Lucas critique ?
10. Discuss the consumption-leisure choice under quantity rationing.
11. How can inflation create government revenue ?

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SECTION – III

Essay Questions **(Any 3).** (3×9=27)

12. Draw the long run trade-off between inflation and unemployment. Explain how the short run and long run trade-offs are related.

13. Critically evaluate the new classical macroeconomics.

14. Under what conditions does the crowding-out effect of expansionary fiscal policy have a minimal impact on private investment ?

15. Discuss the reinterpretation of 'Keynes as non-Walrasian'.

16. How do small menu costs lead to monetary non-neutrality in the short run ? Discuss the implications for aggregate output and prices.
