K26P 1113

Reg. No. : ....

Name : ....

Second Semester M.A. Degree (CBCSS – OBE – Reg./Supple./Imp.) Examination, April 2026

(2023 Admission Onwards)

ECONOMICS/DEVELOPMENT ECONOMICS/APPLIED ECONOMICS

MAACO02C07/MADCO02C07/MAECO02C07 : Macro Economic Theory – II

Time : 3 Hours Max. Marks : 60

SECTION – I

Short answer questions (**any 5**). **(5×3=15)**

1. What is meant by the natural rate of unemployment ?
2. Distinguish between anticipated and unanticipated policy.
3. What is meant by "incentive effects of taxation" ?
4. State one implication of GDP following a random walk.
5. If unemployment is 2 percentage points above NRU, what does PC predict for inflation (direction only) ?
6. Why does inflation targeting require a credible central bank ?

SECTION – II

Short essay questions (**any 3**). **(3×6=18)**

7. Write a short note on Post-Keynesian view of uncertainty and its macro implications.
8. Using Rational Expectation Hypothesis, explain why anticipated monetary policy may not change real output.

P.T.O.

9. How does the efficiency wage mechanism generate involuntary unemployment ?
10. Explain the dual decision hypothesis and its role in Neo-Keynesian disequilibrium models.
11. Analyse how adaptive expectations can generate a wage-price spiral.

SECTION – III

Essay questions (**any 3**). **(3×9=27)**

12. Discuss the objectives, instruments and transmission mechanism of monetary policy.
13. Critically evaluate the Phillips curve as a guide for macroeconomic policy.
14. Explain the insider-outsider model and analyse its policy implications for unemployment, labour market institutions and disinflation.
15. Explain the policy-ineffectiveness theorem and show how it follows from rational expectations and market clearing.
16. Discuss cost-push inflation in the context of mark-up pricing, wage bargaining and input price shocks.

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