LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

B.A. DEGREE EXAMINATION – **ECONOMICS**

SIXTH SEMESTER – **APRIL 2025**

UEC 6501 – MACRO ECONOMICS - II

Date: 23-04-2025 Dept. No. Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

	SECTION A - K1 (CO1)
	Answer ALL the Questions **(10 x 1 = 10)**
1.	**Define :**
a)	Absolute income hypothesis
b)	Inflation
c)	Trade Cycle
d)	Economic Growth
e)	Monetary policy
2.	**Multiple Choice Questions:**
a)	To which of the following, does the liquidity trap correspond? a. Consumption function b. Production function c. Money demand function d. Labour demand function
b)	Inflation results from an excess demand over the available supply is knows as a. Cost-push inflation b. Demand-pull inflation c. Both (A) and (B) d. None of these
c)	Lower turning point in a business cycle signifies a. Recession b. Trough c. Downswing d. Recovery
d)	Harrod model does not deal with a. Actual growth rate b. Critical minimum growth rate c. Warranted growth rate d. Natural growth rate
e)	An important feature of modern economic growth has been: a. Increasing use of modern scientific knowledge b. Increased productivity per unit of labour input c. Substantial rise in product per capita d. All of the above.
	SECTION A - K2 (CO1)
	Answer ALL the Questions **(10 x 1 = 10)**
3.	**State True or False**
a)	The Permanent Income Hypothesis was propounded by Duesenberry.
b)	The Phillips Curve expresses an inverse relationship between the rate of unemployment and the rate of increase in money wages.
c)	Cyclical unemployment arises due to seasonal fluctuations in demand.

d)	Kaldor's model of economic growth emphasizes the role of demand-led factors and income distribution as key drivers of sustained economic expansion.
e)	Discretionary Fiscal Policy involves deliberate changes in government spending and taxes in response to economic conditions.
4.	**Fill in the blanks**
a)	The relative income hypothesis was propounded by ________
b)	______________inflation occurs when the cost of production increases, forcing business to raise prices to maintain profit margins.
c)	_______________ theory of innovation emphasizes that entrepreneurship and innovation are the primary drivers of economic growth and change.
d)	In the _____________ model, the "knife-edge balance" refers to the model's inherent instability, where the economy is highly sensitive to small changes and can easily deviate from the warranted growth path.
e)	Government expenditure, taxes and public debt are instrument of ____________policy.
	SECTION B - K3 (CO2)
	Answer any TWO of the following in 100 words each. (2 x 10 = 20)
5.	Explain the life cycle hypothesis
6.	Apply the concept of cost-push inflation to predict its impact on the general price level.
7.	When an economy is in its growth phase, how does the business cycle affect inflation and unemployment?
8.	Elaborate the instruments of monetary policy used to stabilize the economy
	SECTION C – K4 (CO3)
	Answer any TWO of the following in 100 words each. (2 x 10 = 20)
9.	Examine the relationship between inflation and unemployment as explained by the Phillips Curve.
10.	Using Schumpeter's Theory, analyze how technological advancements contribute to the rise and fall of business cycles.
11.	Write a brief note on the post-Keynesian consumption function.
12.	Analyse the features of Samuelson's Model of Trade Cycle.
	SECTION D – K5 (CO4)
	Answer any ONE of the following in 250 words (1 x 20 = 20)
13.	Evaluate the effectiveness of the real business cycle theory in explaining economic fluctuations.
14.	Critically analyze the role of the Harrod-Domar model in explaining economic growth.
	SECTION E – K6 (CO5)
	Answer any ONE of the following in 250 words (1 x 20 = 20)
15.	Examine the relationship between investment, saving, and income distribution in Kaldor's Model.
16.	Summarise the role of fiscal policy in stabilizing business cycles.
