LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION – ECONOMICS

FIRST SEMESTER – NOVEMBER 2022

SECTION D
PEC1MC02 – ADVANCED MACROECONOMICS - I

Date: 23-11-2022   Dept. No.   Max. : 100 Marks
Time: 01:00 PM - 04:00 PM

	SECTION A		
	Answer ALL the questions		
1	**Answer the following Questions** **(5 x 1 = 5 marks)**		
a)	The fixed levels of output and employment are often referred as the economy's ---------	K1	CO1

b)	Under perfect competition, in a rigid money wage condition:
	     a) Real wage is inversely related to employment
	     b) Actual wage is directly related to employment
	     c) Real wage is directly related to employment
	     d) Actual wage is inversely related to employment
		K1	CO1

c)	When people systematically tend to underpredict or overpredict the price level, the expectations are ---------------------------.	K1	CO1
d)	Firms will choose the level of the real wage that gets the most effort from workers for each rupee of real wages paid. (True or False)	K1	CO1
e)	The relation between unemployment and inflation is known as ----------------------.	K1	CO1
2	**Define the Following** **(5 x 1 = 5 marks)**		
a)	Business Cycle.	K2	CO1
b)	Natural Rate of Unemployment.	K2	CO1
c)	Efficiency Wage.	K2	CO1
d)	Real-wage Rigidity.	K2	CO1
e)	Misperceptions Theory.	K2	CO1
	SECTION B		
	Answer any THREE of the following in 500 words **(3 x 10 = 30 marks)**		
3	Highlight the dissimilarities between the Classics and the Keynesians.	K3	CO2
4	Discuss factors that affect the IS curve, which represents equilibrium in the goods market.	K3	CO2
5	Summarize the Real Business Cycle Theory.	K3	CO2
6	Describe the causes and effects of price stickiness according to the Keynesian Model.	K3	CO2
7	Explain the Phillips relationship between Unemployment and Inflation.	K3	CO2
	SECTION C		
	Answer any TWO of the following in 500 words **(2 x 12.5 = 25 marks)**		
8	Examine the role of price adjustment in achieving general equilibrium.	K4	CO3
9	Outline the effects of Fiscal Policy shocks in the Classical Model.	K4	CO3
10	Explain the Keynesian theory of Business Cycle.	K4	CO3
11	Discuss the types and costs of Inflation.	K4	CO3

	Answer any ONE of the following in 1000 words	**(1 x 15 = 15 marks)**		
12	Derive the Labour Market Equilibrium.		K5	CO4
13	Discuss the challenges and costs of reducing Inflation.		K5	CO4
	SECTION E			
	Answer any ONE of the following in 1000 words	**(1 x 20 = 20 marks)**		
14	Critically examine the textbook Classical Model.		K6	CO5
15	Analyze the effects of Monetary and Fiscal policies in the Keynesian Model.		K6	CO5

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