

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

MA DEGREE EXAMINATION DECEMBER 2025
(First Semester)

Branch - **ECONOMICS**

ADVANCED MACRO ECONOMIC THEORY

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer **ALL** questions

ALL questions carry **EQUAL** marks

(10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	GDP measures the total value of---- a) All goods and services produced by a nation's citizens, regardless of location. b) Goods and services produced within a country's borders. c) Only the imports and exports of a nation. d) Only government expenditure	K1	CO1
	2	Which item is recorded in the current account of the balance of payments? a) Foreign Direct Investment b) Exports of goods c) Gold purchases d) Sale of patents		
2	3	Under Keynesian theory employment and output is determined by ----- a) Saving investment equality b) Production function c) Effective demand d) Demand for money and supply of money	K1	CO1
	4	Which of the following is a primary reason for nominal wages being "sticky" in the short run? a) Workers' desire to immediately increase their earnings b) The influence of government wage controls c) Existing labour contracts that fix wages for a period d) The belief that lower wages will increase employment		
3	5	What economic condition is crucial for the accelerator mechanism to work effectively? a) A scarcity of available labor b) Excess capacity in the economy c) High levels of inflation d) Low levels of savings	K1	CO1
	6	Investments depends upon income and ----- a) Consumption b) Expenditure c) Rate of interest d) Export		
4	7	Inflation targeting is a part of which policy? a) Fiscal policy b) Monetary policy c) Trade policy d) Industrial policy	K1	CO1
	8	Which of the following is a primary objective of fiscal policy? a) Controlling the money supply b) Influencing interest rates c) Stabilizing the price level d) Managing exchange rates		
5	9	Flexible exchange rate is determined by ----- (a) Government fixed rates (b) Demand and supply of currency (c) Parliament decisions (d) Export quotas	K1	CO1
	10	The Purchasing Power Parity (PPP) theory is most relevant for analyzing exchange rates in a ----- a) Fixed exchange rate system b) Gold standard system c) Flexible exchange rate system d) Barter system		

Cont...

SECTION - B (35 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks

 $(5 \times 7 = 35)$

Module No.	Question No.	Question	K Level	CO
1	11.a.	Explain the Input-Output Accounting. (OR)	K3	CO3
	11.b.	Estimate the difference between Flow of Funds Accounts and National Income Accounts.		
2	12.a.	Identify the features of Keynesian Macroeconomics. (OR)	K3	CO4
	12.b.	Examine the criticisms of New Keynesian Economics.		
3	13.a.	Analyze the Profits Theory of Investment. (OR)	K4	CO2
	13.b.	Examine the Tobin's theory of Investment.		
4	14.a.	Determine the Tinbergen's Approach. (OR)	K5	CO5
	14.b.	Evaluate the effects of deficit spending on equilibrium output and the interest rate.		
5	15.a.	Analyse the factors affecting Exchange Rate. (OR)	K4	CO5
	15.b.	Examine the Mundell-Fleming Model.		

SECTION - C (30 Marks)

Answer ANY THREE questions

ALL questions carry EQUAL Marks

 $(3 \times 10 = 30)$

Module No.	Question No.	Question	K Level	CO
1	16	Analyze the Robert Lucas New Growth Theory.	K4	CO2
2	17	Examine the Policy Implications of New Keynesian Economics.	K4	CO4
3	18	Assess the Duesenberry's Theory of Investment.	K5	CO5
4	19	Formulate the Indicators and Instruments of Stabilization Policies.	K6	CO5
5	20	Explain about the Purchasing Power Parity Theory.	K5	CO3