

**GUJARAT NATIONAL LAW UNIVERSITY**  
**GANDHINAGAR**  
**Course: Macroeconomics: Theories and Policies**  
**Semester- II (Batch: 2020-25)**

**End Semester Online Examination: July-August 2021**

**Date: 07<sup>th</sup> August, 2021**

**Duration: 8 hours**

**Max. Marks: 50**

**Instructions:**

- The respective marks for each question are indicated in-line.
- Indicate correct question numbers in front of the answer.
- No questions or clarification can be sought during the exam period, answer as it is, giving reason, if any.

You are required to answer the problems as a phenomenon and substantiate additional facts and evidence from the conceptual world and measurement world (wherever possible). Also, support your analysis with strong arguments, reasoning, rationale and/or examples. You may take aid of chart, table, diagram and/or figure wherever necessary. You can cite the references in the Bluebook: A Uniform System of Citation (2015, 20th ed.)

**Marks**

Word limit for each 12 marks question without citation is approximately 600-700 words &  $\pm 50$  words, 6/8 marks is approximately 250-350 words &  $\pm 25$  words and 4 marks is approximately 150-250 words &  $\pm 25$  words

- Q.1 Discuss the Classical School and Keynesian School in the backdrop COVID-19 pandemic. Also discuss the relevance and importance of both the schools in COVID-19 pandemic or market failure. According to you, which school of thought is suitable in addressing the current macroeconomics issues and challenges? Explain. (12)
- Q.2 What are the reasons given by A.W. Phillips' for a trade-off between money wage rate and unemployment? Discuss the Phillips Curve analysis of Milton Friedman's (Adaptive Expectation Theory) versus New Classical Economics (Rational Expectations). Also, discuss the relevance of Phillips' Curve in COVID pandemic. (12)
- Q.3 a) 'India's Fiscal Policy and Monetary Policy – are they complementary or competitive in nature?' (NMIMS Journal of Economics and Public Policy). Describe the phenomenon world, conceptual world and measurement world in the above research study. (6+8=14)
- b) Suppose you want to propose a research study on the broad theme of 'Law & Macroeconomics: Contemporary Issues and Challenges'. What will be the specific title of your study? Discuss in detail about the phenomenon world, conceptual world and measurement world of your research study. You have to take assistance from any one macroeconomics school of thought in your conceptual world.
- Q.4 a) Explain the Supply Side Economic Model for solving the problem of stagflation. Why did Reaganomics fail to address supply-side problems despite favourable supply-side shocks? Discuss the policies of Supply Side Economics in combating the COVID pandemic. (4x3=12)
- b) In the Classical model of determination of income and employment in the short run without saving and investment: Why will decrease in aggregate demand result

in voluntary unemployment and it does not disturb full-employment equilibrium?  
On the other side, Keynes' argued that it will result in involuntary unemployment and it does disturb full-employment equilibrium.

- c) Discuss the application of Keynes's model of money-wage rigidity in the context of COVID-19 Pandemic.

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