

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**
Course: **Macroeconomics: Theories and Policies**
Semester- II (Batch: 2021-26)

End Semester Online Examination: May 2022

Date: 12th May, 2022

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.
- Word Limit: For each question without citation is approximately 400-600 words & ± 50 words

- | | Marks |
|---|--------------|
| <p>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 the aid of a chart, table, diagram and/or figure wherever necessary. You can cite the references in the Bluebook: A Uniform System of Citation (2015, 20th ed.).</p> | |
| <p>Q.1 Explain the trade-off between money wage rate and unemployment rate in the context of the growth rate of productivity and excess demand for labour? Discuss the monetary and fiscal policy interventions, which are effective in the short run and long run in the case of Adaptive Expectations and Rational Expectations. Also, elucidate the disinflation policy in the short run and long run in the case of Adaptive Expectations and Rational Expectations.</p> | (10) |
| <p>Q.2 Discuss Classical Economics and Keynesian Economics at the time of market failure (Depression/recession or Boom). What tools and policies will you propose for macroeconomic stability? (You are required to apply relevant concepts from both the schools.)</p> | (10) |
| <p>Q.3 The crude oil US Dollars per Barrel price rose to: \$ 43.92 (December 2020), \$ 70.55 (December 2021) and \$ 106 (April 2022). Even the cost of various inputs has increased significantly. Based on this information, which school of thought is appropriate in combating input cost with reference to the above stated phenomenon? What policies framework do you propose for the new normal? Discuss. (You are required to take the assistance of appropriate concepts to explain the above phenomenon)</p> | (10) |
| <p>Q.4 You want to propose a research study on the broad theme of 'Law & Macroeconomics: Post-Covid Policies and Strategies'. What will be the specific title of your study? Your research study should discuss in detail phenomenon world, conceptual world and measurement world. According to you, which school of thought is suitable for addressing the Post Covid Macroeconomics issues and challenges? Explain.</p> | (10) |
| <p>Q.5 What changes will occur in the IS-LM model due to the fiscal policy (as stated in table 1) and monetary policy (as stated in table 2)? Discuss India's current fiscal policy and monetary policy in tackling post COVID-19 market failure. What policy measure do you</p> | (10) |

propose for stabilizing the Indian Economy? Discuss the parameters or indicators in concluding a good or bad policy mix (fiscal + monetary).

Table 1 : Fiscal Policy (as a percentage of GDP) & Economic Indicators

Fiscal Policy (as a percentage of GDP) & Economic Indicators	2020-2021	2021-2022	2022-2023 Budget Estimates
Fiscal Deficit	9.2	6.9	6.4
Revenue Deficit	7.3	4.7	3.8
CPI C (Headline Inflation)	6.2	5.2	5.1
GDP Growth Rate	-7.3	9	9

Employment Rate in India increased to 42.30 percent in the third quarter of 2021 from 40.90 percent in the second quarter of 2021.

Table 2: Monetary Policy Rates

Monetary Policy Rates	06-02-2020	08-12-2021	20-04-2022
CRR	4%	4%	4%
SLR	18.25%	18%	18%
Repo Rate	5.15%	4%	4%
Reverse Repo Rate	4.90%	3.35%	3.35%
MSF Rate	5.40%	4.25%	4.25%
Lending Rate	10.11 %	9.44%	8.81%
