

Mid Semester Test: Feb-Mar. 2016

Macro Economics

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**
Course: Macro Economics
Semester-II (Batch: 2015-20)

Mid Semester Test: Feb-Mar. 2016



Date: 04th March 2016
Duration: 2 hours

Max. Marks: 30

Instructions:

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question are indicated in-line.
- Do not write any thing on the question paper.
- Draw the diagrams only with pencil.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.

Marks

- Q.1 Write short notes on any three of the following questions and illustrate with diagram wherever necessary. (in approximately 250 – 275 words) (3x6 =18)
- (a) Describe Classical Theory of Full Employment in the case of the effect of improvement in Technology (e.g. the introduction of the computer in providing various services) in the economy.
 - (b) Describe Keynes's Principle of Effective Demand for achieving full employment. What are the causes of Cyclical Unemployment and Depression according to Keynes's point of view?
 - (c) Describe the Keynes's model of money-wage rigidity. Explain Keynes's theory of involuntary unemployment in the case of price flexibility and rigid money wage.
 - (d) Discuss in detail complete classical model for the determination of output and employment. What changes will occur due to increase in the quantity of money supply?
- Q.2 Explain any four of the following questions with reasons or examples and draw diagrams wherever necessary. (in approximately 30-50 words) (4x3 =12)
- (a) In the Classical model of determination income and employment in the short run with saving and investment: What changes will occur due to a decrease in investment demand and why it does not disturb full-employment equilibrium?
 - (b) Discuss Keynes' view that monetary policy is ineffective at the time of great depression. Why have monetarist economists attacked Keynes's view?
 - (c) (i) Describe the concept of Classical Dichotomy.
(ii) Objectives and mandates of Monetary Policy

depression. Why have monetarist economists attacked Keynes's view?

- (c) (i) Describe the concept of Classical Dichotomy.
- (ii) Objectives and mandates of Macroeconomics.

Page 1 of 2