

**GUJARAT NATIONAL LAW UNIVERSITY  
GANDHINAGAR**

Course: **Macro Economics**  
Semester-II (Batch: 2016-21)

Mid Semester Test: Feb-Mar. 2017

Date: 3<sup>rd</sup> March, 2017

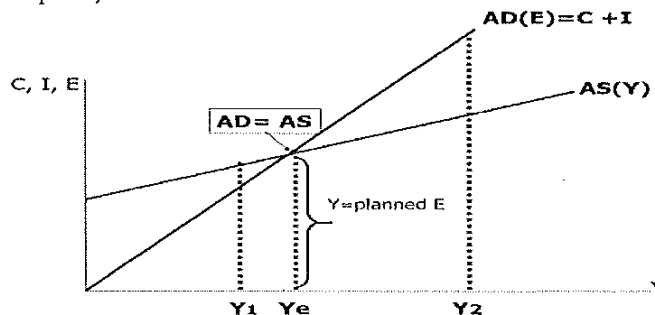
Duration: 2 hours

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.
- 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.

- |  | <b>Marks</b> |
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| Q.1 Write short notes on <b>any three</b> of the following questions and illustrate with diagram wherever necessary. (In approximately 175 – 225 words) (Each Question= 5 Marks) | (3x5= 15)    |
| (a) Describe Classical Theory of Full Employment in case of effect of increase in Labour Supply in the economy.  |              |
| (b) Describe the Keynes's theory of Effective Demand for achieving full employment.  |              |
| (c) Discuss in detail complete classical model for the determination of output and employment. What changes will occur due to a decrease in the quantity of money supply?        |              |
| (d) (i) What are the causes of Cyclical Unemployment and Depression Keynes's point of view?  |              |
| (ii) In the following diagram, what problem will arise, when the economy is producing $Y_1$ and $Y_2$ output? (Use the concepts of Walrasian disequilibrium and animal spirits)  |              |



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| Q.2 Explain <b>any five</b> of the following questions with reasons or examples and draw diagrams wherever necessary. (In approximately 30-50 words) (Each Question=3 Marks) | (5x3= 15) |
| (a) What are reasons for existence of money illusion in Keynes's point of view?  |           |
| (b) Discuss Keynes' view on monetary policy is ineffective at the time of great depression. Why has monetarist economist attacked Keynes's view?                             |           |
| (c) Describe the concept of Classical Dichotomy.   |           |
| (d) Describe the macroeconomics paradox: Paradox of thrift and wage-employment paradox.  |           |
| (e) Discuss the rationality of having three different methods for measuring national   |           |