



**THE PAPUA NEW GUINEA UNIVERSITY OF TECHNOLOGY**  
**Department of Business Studies**  
**ECONOMICS SECTION**

**COURSE CODE : 421**

**COURSE: MACROECONOMICS**

**SECOND SEMESTER 2022**

**FINAL EXAM: 100 Marks**

**Instructions:**

**Time allowed: 1:30 hours**

- Write clearly Your NAME & ID No on the ANSWER sheet only.
- First FIVE minutes read carefully all questions, and Write proper ANSWER in ANSWER SHEET only. No answer will be evaluated if written elsewhere except answer sheet.
- Attempt all OBJECTIVE questions, aLL questions are compulsory.
- Avoid rewriting/double writings.
- Any Hand-notes/Papers /Mobile are strictly prohibited in the examination hall.

Group	Student's Name	ID No.:
A*		

**Total:.....**

## AE 421 MACROECONOMICS

### PART-1

**Multiple Choice Total TEN Questions: ALL Questions are Compulsory. Tick any one which is the best suitable answer.** [Marks: 4]

**Q.1.** What are macroeconomic variables?

- A). Gross Domestic Product (GDP)                      B). Inflation                      C). Unemployment  
D). Balance of Payments                      E). All the above                      F). None the above

**Q. 2.** Capital accumulation refers to an increase in assets from investments or profits and is one of the building blocks of a

- A). Capitalist economy                      B). Socialist economy                      C). Mixed economy  
D). Communist economy                      E). A & C                      F). None of the above

**Q. 3.** Real rigidities are mechanisms that dampen price responses of firms because of factors such as:

- A). strategic complementarities in price setting                      B). real wage rigidity  
C). the dependence of costs on input prices                      D). non the above  
E). all the above

**Q. 4.** The ultimate goals of macroeconomic policies are to:

- A). reduce uncertainty and risk in economic decision-making.  
B). create an unstable macroeconomic environment  
C). enhances prospects for economic growth and improved living standards.  
D). reduce poverty, incomes, and employment.

**PART-2: Fill in the Blanks: All questions are compulsory. All questions have equal value.** [Total Marks: 15]

**Q. 1.** Economic development is concerned with (-----) in the economy, but economic growth is concerned only with increase in the economy's output.

**Q. 2.** (-----) is one of the most influential development theories of the twentieth century. He presented five steps through which all countries must pass to become developed.

**Q. 3.** (-----) stage, in which the rates of investment are getting higher and a society begins to develop manufacturing.

**Q. 4.** (-----) stage, in which industrialization begins to occur, and workers and institutions become concentrated around a new industry in a short period of intensive growth.

**Q. 5.** Neoclassical Exogenous theories/models are (-----) to explain why growth rates (particularly the rate of technological progress) differ between different time periods because growth rates are taken to be exogenous.

**Q.6.** Solow's growth model implies more rapid (-----) of incomes than seems to have occurred, particularly between developed and developing countries.

**Q.7.** (-----) have no mechanism by which the saving and investment rate (or government policies directed at influencing it) can affect the steady-state growth rate.

**Q.8.** Endogenous theory was developed as a reaction to omissions and deficiencies in the (-----) growth model.

**Q.9.** A persistent rate of prosperity is influenced by internal processes such as (-----), rather than external, uncontrolled forces unlike exogenous theory.

**Q.10.** An "endogenous-growth" model is one that works like a (-----) once it gets started, it will keep going indefinitely unless something from outside slows it down or stops it.

**PART-3: True & False: Write T or F in the answer sheet (given box).**

**[Marks: 5]**

- Q. 1.** The long-run aggregate-supply curve slopes upward because nominal wages are slow to adjust to changing economic conditions. [ ]
- Q. 2.** Flexible-priced items are not free to adjust quickly to changing market conditions. [ ]
- Q.3.** The amount of money in the economy must be targeted economic growth rate because "inflation is always and everywhere a monetary phenomenon", says Keynes. [ ]
- Q.4.** The classical, neo-classical, and modern economic theories are directly/indirectly influenced by the economic philosophy of Adam Smith and Ricardo. [ ]
- Q.5.** Economic growth is a necessary and sufficient condition for economic development. [ ]

**PART-4: Match with the Sentences from the BOX.**

**[Total Marks: 5]**

1. Some sellers set prices in nominal terms that do not adjust quickly in response to	A. changing economic conditions.
2. nominal wages are slow to adjust to	B. full employment and price stability.
3. free markets have no self-balancing mechanisms that	C. determine the sources of economic growth.
4. Government intervention through public policies can achieve	D. lead to full employment.
5. Endogenous growth theory aims to	E. changes in the aggregate price level.

**PART-5: SHORT QUESTIONS**

**[Total Marks: 35]**

**Give any FIVE Answer of the Following Questions. All questions have equal marks.**

- Q. 1.** Why capitalist economy is not stable and always fluctuates in long-run?
- Q. 2.** Economic growth and economic development are not the same. Modern economists differentiated between economic growth and economic development. Write in detail on economic development and growth.
- Q. 3.** Public debt is a severe crisis at global levels. How could we solve this problem?
- Q. 4.** Technological progress causes the values of many variables to rise together in the steady state, says Solow. Explain it.
- Q. 5.** What is Overlapping Generation (OLG) Model of Economic Growth? Explain it.
- Q. 6.** Discuss on the role of Public Finance.
- Q. 7.** Discuss on the role of foreign direct investment.
- Q. 8.** Explain how and why the national output/ income changes?
- Q. 9.** How is classical economics different from neoclassical economics?

**PART-6: ESSAY TYPE QUESTIONS**

**[Marks: 36 ]**

**Write any THREE answers from the Following Questions. All questions have equal value.**

**Q. 1.** Write about the global financial imbalances which has been facing since 2008.

**Q.2.** Discuss on Keynesian' General Theory of Employment, Money and Interest Rate in details.

**Q.3.** Why developing countries need foreign direct investment? Do you think foreign direct investment which comes through multi-national companies transferring their technology to the invited countries? Discuss on it in details and Give your own opinion.

**Q.4.** Discuss and explain aggregate demand and aggregate supply model and what are the effects of government policies on AD-AS curves?

**Q.5.** Discuss how IS-LM model is derived from goods and money markets?

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Student's Name:

ID No:

**ANSWER SHEET**

**PART-1: Multiple Choice**

1	2	3	4

**PART-2: Fill in the Blanks**

1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

**PART-3: True & False**

1.	2.	3.	4.	5.

**PART-4: Matches the Sentences**

1.	2.	3.	4.	5.