



University of Kelaniya – Sri Lanka

Centre for Distance and Continuing Education

Bachelor of Arts (General) Degree Third Examination (External) – 2013
2016 August – October
(New Syllabus)

Faculty of Social Sciences

Economics - ECON- E3015

Macro economics

Answer any four (04) questions

No. of questions : 08

Time : 03 Hours

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01. Explain the main characteristics of the balanced economy model. Describe how this model is used in macroeconomics equilibrium analysis? Discuss its relevance for modern economic systems from the view of sustainable development.
02. (a) What are the main differences between cross – sectional data and time series data. Explain how these data used in estimation of short run and long run consumption functions. (12 marks)
- (b) Critically examine the Keynesian theory of consumption. (08 marks)
03. (a) 'The IS – LM model is a useful technique in addressing the issues of inflation and unemployment in an economy'. Explain. (10 marks)
- (b) Critically examine the role of fiscal policy and monetary policy in achieving the macroeconomics goals in an economic system. (10 marks)
04. (a) Why Keynesians reject the classical theory notion of economy is self- regulating. Explain. (10 marks)
- (b) What are the weaknesses of Keynesian theory of employment? Discuss with some real world examples? (10 marks)
05. (a) Discuss the relationship between the budget deficit and public debt in an economy. (10 marks)
- (b) Explain why public debt is rising exponentially in some developing countries. (10 marks)

06. Giving examples discuss the advantages and disadvantages of International trade agreements when the countries are in different scales.
07. (a) Give your ideas on comparative advantages and competitive advantages of International trade? Explain. (08 marks)
- (b) What are the difference between a fixed exchange rate and a flexible exchange rate? (06 marks)
- (c) Describe the advantages and disadvantages if a flexible exchange rate. (06 marks)
08. Write notes on any **Four** (04) of the followings (05 marks per each)
- (a) Types of unemployment
- (b) Economic cost of inflation
- (c) Keynesian revolution
- (d) Net national income
- (e) The aggregate market
- (f) Balanced budget multiplier
