

# QUESTION BANK

## DEPARTMENT OF ECONOMICS, NAYAGARH AUTONOMOUS COLLEGE, NAYAGARH

+3 1st YEAR ARTS (1st SEMESTER)

MACROECONOMICS-I

CC-06

GROUP-A

**Each question carries 1 mark**

1. The value of MPC is \_\_\_\_\_.
2. Consumption is the function of \_\_\_\_\_.
3. If two rays are starting from the origin then flatter the ray \_\_\_\_\_ is its slope.
4. The coefficient of APC and MPC ranges between zero and \_\_\_\_\_.
5. The psychological Law of Consumption function was given by \_\_\_\_\_.
6. The ratio between change in desired saving and change in personal disposable income is known as \_\_\_\_\_.
7. The ratio between change in desired consumption expenditure and change in personal disposable income is known as \_\_\_\_\_.
8. As per Absolute income hypothesis the relationship between planned consumption expenditure of households and their absolute current income is \_\_\_\_\_.
9. According to permanent income hypothesis, it is not the current income of the households but their \_\_\_\_\_ income that determines the level of consumption.
10. Purchasing of different kinds of shares and stocks and investing capital in such activities that are likely to yield income is known as \_\_\_\_\_.
11. The rate of discount which equates the supply price of capital asset with its prospective yields is called as \_\_\_\_\_.
12. Investment demand curve is \_\_\_\_\_ sloping.
13. The concept of multiplier was first used by \_\_\_\_\_.
14. The multiplier that is developed by J M Keynes is known as \_\_\_\_\_.
15. The formula to calculate investment multiplier is \_\_\_\_\_.
16. The concept of dynamic multiplier was developed by \_\_\_\_\_.
17. The ratio of change in income to the change in investment is known as \_\_\_\_\_.
18. The relationship between MPC and multiplier is \_\_\_\_\_.
19. The relationship between MPS and multiplier is \_\_\_\_\_.
20. With decrease in investment, multiplier decreases income many times more. It is called as \_\_\_\_\_ multiplier.
21. Increase in investment will cause increase in employment many times, which is known as \_\_\_\_\_ multiplier.
22. The principle of acceleration was developed by \_\_\_\_\_.
23. The ratio of change in capital to change in income is known as \_\_\_\_\_.

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24. The concept of super multiplier was developed by \_\_\_\_\_.
25.  $M_1 = \text{Currency with public} + \text{Demand deposits with banks} + \text{_____}$ .
26. \_\_\_\_\_ is called as broad money.
27. \_\_\_\_\_ is called as the monetary authority in India.
28. One rupee coins are printed by \_\_\_\_\_ in India.
29. RBI was established in the year \_\_\_\_\_.
30. The money which is issued by the central bank and the government and kept by the public and banks is known as \_\_\_\_\_.
31. The ratio of change in supply of money to the change in H is called as \_\_\_\_\_.
32. High powered money  $H = \text{_____} + \text{_____}$ .
33. The amount deposited in cash by the public in banks is called \_\_\_\_\_.
34. Currently RBI is following \_\_\_\_\_ reserve system to print currency.
35. The ratio of change in total deposits to change in primary deposits is known as \_\_\_\_\_.
36. The amount lying with the bank in excess of the required cash reserve ratio is called \_\_\_\_\_.
37. The relationship between rate of interest and speculative demand for money is \_\_\_\_\_.
38. Preference for cash holding is called as \_\_\_\_\_.
39. Peoples desire to hold money for daily expenses is known as \_\_\_\_\_.
40. Equilibrium of money demand and money supply is known as \_\_\_\_\_.
41. The relationship between investment and rate of interest is \_\_\_\_\_.
42. The slope of IS curve is \_\_\_\_\_.
43. The slope of LM curve is \_\_\_\_\_.
44. A situation of persistent rise in general price level is known as \_\_\_\_\_.
45. The ratio of number of persons unemployed to the size of labour force is known as \_\_\_\_\_.
46. The average rate of unemployment around which the economy fluctuates is called \_\_\_\_\_.
47. Number of unemployed persons at any point of time constitutes the \_\_\_\_\_.
48. Phillips curve shows \_\_\_\_\_ relationship between the rate of unemployment and the rate of increase in money wage rate.
49. Monetary theory of trade cycle was given by \_\_\_\_\_.
50. The difference between the value of export and import is known as \_\_\_\_\_.

### GROUP-B

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**Each question carries 2 marks**

1. What is macro economics?
2. Write two limitations of macro economics?
3. Write down two subject matter of economics?
4. What is propensity to consume?
5. What is MPC?
6. What is Ratchet effect?
7. What is Demonstration effect?
8. What is life-cycle hypothesis of consumption?
9. What is average propensity to save?
10. What is aggregate demand?
11. What does the aggregate demand curve shows?
12. What is aggregate supply?
13. What is business cycle?
14. Define fiscal deficit?
15. Define revenue deficit?
16. What is balance budget?
17. Write down the assumptions of life-cycle hypothesis?
18. What are the factors that are influencing consumption function?
19. What is absolute income hypothesis?
20. What is permanent income hypothesis?
21. What is MEC?
22. Write down the determinants of MEC.
23. What is MEI?
24. What is autonomous investment?
25. What is financial investment?
26. What is residential investment?
27. Write down the determinants of investment.
28. What is multiplier?
29. What is accelerator in economics?
30. What is near money?
31. What is fiat money?
32. What is minimum reserve system?
33. What is high powered money?
34. What is credit multiplier?
35. What is Bank rate?
36. What is SLR?
37. What is open market operation?
38. What are instruments that RBI uses to control inflation?
39. What is proportional reserve system?
  
40. What is liquidity trap?

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41. What is speculative demand for money?
42. What is an M3 measure of money?
43. What is money multiplier?
44. What are the determinants of money multiplier?
45. What is adaptive expectation?
46. What is rational expectation?
47. What is trade cycle?
48. What is equilibrium?
49. What is IS curve?
50. Explain two reasons of the shift in IS curve?

### GROUP-C

#### Each question carries 3 marks

1. What is consumption function?
2. What is MPC?
3. What is APC?
4. What is saving function?
5. What is APS?
6. What is MPS?
7. What does absolute level of income imply?
8. What is ratchet effect?
9. What is demonstration effect?
10. Define permanent income?
11. Define transitory income?
12. Define permanent consumption?
13. Define transitory consumption?
14. Who has given the absolute income hypothesis?
15. Who has given the relative income hypothesis?
16. Who has given the permanent income hypothesis?
17. Who has given the life cycle hypothesis?
18. Define the term investment?
19. State the types of investment?
20. What is gross investment?
21. What is net investment?
22. What is financial investment?
23. What is public investment?
24. What is private investment?
25. What is autonomous investment?
26. What is induce investment?
27. What is real investment?
28. What is ex-ante investment?
29. What is gross investment?
30. What are the components of investment expenditure?

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31. Define business fixed investment?
32. What is business inventory?
33. Define MEC?
34. What are the two main determinants of MEC?
35. What is investment demand schedule?
36. What is ex-post investment?
37. What is investment demand curve?
38. Define business expectation?
39. What do you mean by long term expectation?
40. Define the term multiplier?
41. What is investment multiplier?
42. List the main leakages of multiplier?
43. What is dynamic multiplier?
44. What is employment multiplier?
45. What is meant by the term accelerator?
46. Give the formula for accelerator?
47. What is super multiplier?
48. State any two criticisms of the principle of accelerator?
49. What do you mean by money supply?
50. What are demand deposits?
51. Define high power money?
52. Define money multiplier?
53. What is credit multiplier?
54. What are term deposits?
55. What is narrow money?
56. What is broad money?
57. What is liquidity trap?
58. What is speculative demand for money?
59. What do you mean by liquidity preferences?
60. Write Baumol's square root formula?
61. Define IS curve?
62. Define LM curve?
63. Which two parameters impact the slope of the IS curve?
64. Which two parameters impact the slope of the LM curve?
65. Define real balance?
66. Define aggregate demand?
67. What do you mean by monetary policy multiplier?
68. What do you mean by fiscal policy multiplier?
69. Define aggregate supply?
70. State the factors responsible for supply shocks?
71. What do you mean by macro-Economic equilibrium?
72. Define inflation?

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73. What is demand-pull inflation?
74. What is cost-push inflation?
75. Define unemployment rate?
76. What is frictional unemployment?
77. What is disguised unemployment?
78. What is cyclical unemployment?
79. What is seasonal unemployment?
80. What is Philips curve?
81. What do you mean by augmented Phillips curve?
82. What do you mean by neutrality of money?
83. What is business cycle?
84. List the various stages of trade cycle?
85. Define boom?
86. What is meant by recovery phase of trade cycle?
87. Define recession?

### GROUP-D

#### Each question carries 07 marks

1. What is marginal propensity to consume? What are its determinants?
2. State and explain Keynes's Psychological law of consumption?
3. Critically evaluate the relative income hypothesis?
4. Critically evaluate the permanent income hypothesis?
5. Critically evaluate the life cycle hypothesis?
6. Critically evaluate the absolute income hypothesis?
7. What do you mean by autonomous and induced investment? Explain the factors that influence induce investment?
8. What is marginal efficiency of capital? Explain the factors which affect MEC?
9. Define multiplier? Explain the forward and backward working of multiplier?
10. Explain the meaning, assumptions and leakages of multiplier?
11. Explain the acceleration principle?
12. What is money supply? State the various measures of moneys upply used in India?
13. Explain the liquidity preferences theory of interest rate determination?
14. Explain Baumol-Tobin model of cash management?
15. What is product market equilibrium? Derive IS curve from the product market equilibrium?
16. What is money market equilibrium? Derive LM curve from the money market equilibrium?
17. "The equilibrium interest rate and real GDP is determined by the synthesis of product and money market." Explain?

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18. Using IS-LM model, derive the aggregate demand curve?
19. Explain the nature of AS and AD curve in the short run and in the long run?
20. What are causes of inflation? Is little inflation good for the economy?
21. Explain demand-pull and cost-push inflation?
22. What is Phillips curve? What are its policy implications?
23. Explain the short run and long run Philips curve?
24. What is trade cycle? Explain the different phases of trade cycle?
25. Explain the Hawtrey's monetary theory of trade cycle?
26. Explain Keynes theory of business cycle?
27. Explain Hayek's over-investment theory of trade cycle?