REV-01
BEC/04/10

2025/05

SET A

BA ECONOMICS
SECOND SEMESTER
INTERMEDIATE MACROECONOMICS-I
BEC – 202
[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs. **Full Marks: 70**

Objective

Time: 30 mins. **Marks: 20**

Choose the correct answer from the following: ***1×20=20***

1. Which of the following is NOT a component of aggregate demand (AD) in Keynesian economics?
   a. Consumption (C)
   b. Investment (I)
   c. Government Spending (G)
   d. Money Supply (M)

2. Case: India experiences falling GDP and rising unemployment due to weak investment demand. What Keynesian policy can help restore AD?
   a. Increase government spending
   b. Reduce exports
   c. Lower aggregate supply
   d. Raise interest rates

3. According to Keynes, effective demand is determined by:
   a. Supply-side factors such as cost of production
   b. Aggregate demand and aggregate supply intersection
   c. Only consumer spending
   d. Government-imposed price controls

4. The Paradox of Thrift in Keynesian economics suggests that
   a. Increased savings always lead to higher economic growth
   b. More savings automatically lead to higher investment
   c. Higher savings can reduce aggregate demand and slow down the economy
   d. Government spending has no impact on savings

5. Case: The Government of India announces a ₹1 lakh crore fiscal stimulus package. Assuming the multiplier is 4, how much will GDP increase?
   a. ₹4 lakh crore
   b. ₹2 lakh crore
   c. ₹1 lakh crore
   d. ₹10 lakh crore

6. If MPC is high (0.9) in India, which of the following is likely?
   a. Multiplier effect will be strong, leading to high economic growth
   b. Savings will increase more than consumption
   c. Investment will decline
   d. Government intervention will have no effect

7. A liquidity trap occurs when:
   a. People stop saving money
   b. Interest rates are very low, but investment does not increase
   c. Aggregate supply increases rapidly
   d. Government increases spending excessively

8. A textile manufacturing hub in Tamil Nadu experiences a decline in sales due to low consumer demand. Many workers are laid off, despite no rise in production costs. What is the Keynesian explanation for this unemployment?
   a. Structural unemployment due to lack of skills
   b. Voluntary unemployment, as workers refuse jobs
   c. Demand-deficient unemployment due to low aggregate demand
   d. Classical unemployment caused by high wages

9. The RBI lowers interest rates to boost investment. How does this affect the IS-LM curve?
   a. IS curve shifts left
   b. LM curve shifts right
   c. IS curve shifts right
   d. No impact on IS-LM

10. If RBI increases money supply, which will change?
   a. IS curve shifts right
   b. LM curve shifts left
   c. LM curve shifts right
   d. IS curve becomes steeper

11. The Reserve Bank of India (RBI) reduced the repo rate multiple times in 2020. This action in the IS-LM model would primarily:
   a. Shift the IS curve rightward
   b. Move the economy upward along the IS curve
   c. Shift the IS curve leftward
   d. Shift the LM curve rightward

12. Say's Law is a fundamental principle of which school of economic thought?
   a. Keynesian
   b. Marxist
   c. Classical
   d. Monetarist

13. What is inflation?
   a. A decrease in the general price level
   b. An increase in the general price level of goods and services
   c. A rise in the production of goods
   d. A fall in the value of currency notes

14. Which of the following is a cause of demand-pull inflation?
   a. Decrease in production costs
   b. Increase in consumer demand
   c. Increase in productivity
   d. Technological advancement

15. Cost-push inflation is caused by:
   a. Increased consumer spending
   b. Decrease in production costs
   c. Rising costs of inputs such as wages and raw materials
   d. A fall in interest rates

16. Which index is most commonly used to measure inflation in many countries?
   a. GDP
   b. Consumer Price Index (CPI)
   c. Human Development Index (HDI)
   d. Balance of Payments

17. Which of the following is an effect of high inflation?
   a. Increase in purchasing power
   b. Stability in prices
   c. Decrease in the cost of living
   d. Erosion of the value of money

18. Hyperinflation is best described as:
   a. A slow and steady rise in prices
   b. A decrease in the general price level
   c. A rapid and uncontrollable increase in prices
   d. Inflation in only one sector of the economy

19. Who is likely to benefit during inflation?
    a. Fixed income earners
    b. Lenders
    c. Borrowers
    d. Savers

20. Which of the following policies can help reduce inflation?
    a. Reducing interest rates
    b. Increasing government spending
    c. Tight monetary policy
    d. Decreasing taxes

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Descriptive

Time : 2 Hr. 30 Mins. **Marks : 50**

[Answer question no.1 & any four (4) from the rest]

1. Explain the income method and expenditure method of measuring national income. 5+5=10

2. Explain the Keynesian theory of aggregate demand. When AD curve shifts? 8+2=10

3. Explain the Keynesian of aggregate supply for both long run and short run with the help of diagrams. 10

4. Explain the key concept of IS-LM model. Also explain the equations of IS-LM model. When does the curve shifts? 4+4+2=10

5. a) What is inflation? 2+8=10
   b) What are the different types of inflation depending on the rise of price?

6. a) Explain inflationary gap. 5+5=10
   b) Elaborate Demand-Pull inflation.

7. What is Phillips Curve? Explain with diagram. 2+8=10

8. a) What are the causes of inflation? 5+5=10
   b) Explain the monetary Measures to control inflation.

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