SET A

MA ECONOMICS
SECOND SEMESTER
MACRO ECONOMIC ANALYSIS-II
MEC – 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. In the IS-LM model, the IS curve represents equilibrium in which market?
   a. Money market
   b. Foreign exchange market
   c. Goods market
   d. Labour market

2. A rightward shift of the IS curve is caused by:
   a. A decrease in government spending
   b. An increase in interest rates
   c. An increase in taxes
   d. An increase in investment or government spending

3. What happens to the LM curve if the money supply increases?
   a. It shifts to the right
   b. It shifts to the left
   c. It becomes steeper
   d. It becomes flatter

4. In the IS-LM model, what does the intersection of the IS and LM curves determine?
   a. Only the interest rate
   b. Only the level of output
   c. The inflation rate
   d. Equilibrium interest rate and output level

5. Which of the following best describes inflation?
   a. A decrease in the general price level
   b. An increase in the value of money
   c. An increase in the general price level
   d. A decline in economic activity

6. What is the natural rate of unemployment?
   a. 0% unemployment
   b. The unemployment rate when the economy is in recession
   c. The unemployment rate due to cyclical factors
   d. The unemployment rate when the economy is at full employment

7. What causes demand-pull inflation?
   a. Increase in production costs
   b. Increase in government regulations
   c. Too much demand chasing too few goods
   d. Decrease in consumer spending

8. Who is responsible for controlling the money supply in most countries?
   a. Ministry of Finance
   b. Commercial banks
   c. Central Bank
   d. Stock exchange

9. Cost-push inflation is caused by:
   a. Increased consumer demand
   b. A rise in production costs
   c. A decrease in the money supply
   d. An increase in savings

10. Frictional unemployment refers to:
   a. Unemployment during a recession
   b. Unemployment due to technological changes
   c. Short-term unemployment as people change jobs
   d. Long-term joblessness

11. Which of the following policies can help reduce inflation?
   a. Reducing the money supply
   b. Increasing government spending
   c. Cutting interest rates
   d. Decreasing taxes

12. In Friedman's restated Quantity Theory, which of the following best explains the role of money?
   a. Money is neutral in the long run and does not affect nominal variables
   b. Changes in the money supply have no long-term effects on prices
   c. Money supply growth is the primary cause of inflation
   d. Money has no effect on output even in the short run

13. What does the Phillips Curve illustrate?
   a. The relationship between inflation and interest rates
   b. The relationship between inflation and unemployment
   c. The relationship between GDP and unemployment
   d. The relationship between inflation and government spending

14. Which economist argued that the Phillips Curve does not hold in the long run?
   a. John Maynard Keynes
   b. A.W. Phillips
   c. Milton Friedman
   d. Paul Samuelson

15. What are the main phases of the business cycle?
   a. Inflation, deflation, recession, recovery
   b. Peak, recession, trough, expansion
   c. Boom, depression, equilibrium, inflation
   d. Growth, stagnation, crisis, boom

16. What typically happens to unemployment during a recession?
   a. It decreases
   b. It stays the same
   c. It increases
   d. It fluctuates randomly

17. Which phase of the business cycle is characterized by high consumer confidence and rising GDP?
   a. Trough
   b. Recession
   c. Expansion
   d. Contraction

18. What is a "trough" in the business cycle?
   a. The point where inflation is highest
   b. The lowest point of economic activity before recovery
   c. The beginning of a recession
   d. A prolonged period of economic boom

19. What does the Balance of Payments (BoP) record?
    a. Only the exports and imports of goods
    b. All financial transactions within a country
    c. All economic transactions between a country and the rest of the world
    d. Only capital inflows and outflows

20. Which of the following would be recorded as a credit in a country's BoP?
    a. Import of machinery
    b. Payment of interest to foreign investors
    c. A foreign company investing in the domestic economy
    d. A domestic company buying shares in a foreign company

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Descriptive

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

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

1. Discuss general equilibrium of product and money market with IS-LM curve. 10

2. a) Explain diagrammatically money market equilibrium with LM curve. 5+5=10
   b) Elaborate shift in IS curve.

3. a) Elaborate Baumol's Inventory Theoretic approach. 5+5=10
   b) Explain Tobin's portfolio selection model.

4. a) Explain Patinkin's real balance effect. 5+5=10
   b) Elaborate Philips curve.

5. a) What is demand-pull inflation? Explain. 2+3+5=10
   b) What are the measures are to control inflation?

6. a) Explain different phases of business cycle. 5+5=10
   b) Discuss Schumpeter's innovation theory.

7. a) Elaborate Samuelson's model of business cycle. 5+5=10
   b) Discuss Hicksian theory of business cycle.

8. a) What are the components of BoP? 5+5=10
   b) What are the causes of unfavorable BoP?

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