REV-01 2022/07
MEC/42/50

MA ECONOMICS
SECOND SEMESTER
MACRO-ECONOMIC ANALYSIS-II
MEC-202

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

[PART-A: Objective]

Time : 20 min. **Marks : 20**

Choose the correct answer from the following: *1X20=20*

1. In the classical view, the price level is determined by ___.
   a. aggregate supply b. aggregate demand and supply
   c. supply of money d. aggregate demand

2. In the classical model, the aggregate supply curve determines the ____.
   a. money supply b. inflation rate
   c. level of output d. price level

3. The school of thought that emphasizes the natural tendency for an economy to move toward equilibrium full employment without inflation is known as the:
   a. Keynesian school. b. Supply- side school.
   c. Non-interventionist school. d. Classical school.

4. In the Keynesian model, liquidity preference refers to the ___.
   a. demand for consumer goods b. demand for capital
   c. the supply of money d. demand for money

5. The IS curve illustrate that when income increases, the
   a. interest rate must rise to restore equilibrium in the asset market.
   b. interest rate must rise to restore equilibrium in the goods market.
   c. interest rate must fall to restore equilibrium in the goods market.
   d. interest rate must fall to restore equilibrium in the assest market.

6. As we move down along the IS curve,
   a. investment spending and savings both decline
   b. investment spending and savings both increase.
   c. investment spending increases but savings does not change
   d. investment spending declines but savings increases.

7. The curve which shows different equilibrium levels of national income with various rates of interest is called
   a. LM curve, b. IS curve
   c. Income curve d. None of the above

8. The LM curve,
   a. is vertical b. Slopes downward
   c. Is horizontal d. Slopes upward

9. The steepness of IS curve depends on---

a. the elasticity of investment demand curve;
b. the size of the multiplier;
c. demand for money
d. both a & b

10. The LM curve will shift down when the

a. price level rises.
b. expected inflation declines.
c. real money demand declines
d. nominal money supply declines

11. In the IS-LM model, changes in taxes initially affect planned expenditures through:

a. consumption.
b. investment.
c. government spending.
d. the interest rate.

12. In Friedman's modern quantity theory, velocity depends upon

a. interest rates.
b. the ratio of actual to permanent income.
c. the ratio of interest rates to actual income.
d. the ratio of prices to interest rates.

13. In the liquidity trap, the money demand curve

a. is horizontal.
b. is vertical.
c. is negatively sloped.
d. is positively sloped.

14. Which out of the following is phenomenon that leads to Demand-Pull Inflation?

a. It is a situation when aggregate demand in an economy outpaces aggregate supply
b. It is a situation of persistent rise in inflation along with dip in growth and increase in unemployment
c. It is a situation caused by an increase in prices of inputs like labour, raw material etc
d. It is a situation when a nation experiences very high and accelerating inflation.

15. Inflationary gap said to exist when _________?

a. Real GDP > Potential GDP
b. Real GDP < Potential GDP
c. Real GDP = Potential GDP
d. Unemployment rate > natural rate of unemployment

16. The long-run Phillips Curve is vertical which indicates

a. that in the long-run, there is no tradeoff between inflation and the price level
b. that in the long-run, there is no tradeoff between inflation and unemployment
c. that in the long-run, the economy returns to a 4 percent level of inflation.
d. None of the above.

17. Economists use the term shocks to mean

a. unexpected government actions that affect the economy
b. typically, unpredictable forces that have major impacts on the economy
c. sudden rises in oil prices.
d. the business cycles.

18. The quantity theory of money is a theory of

a. how the money supply is determined.

b. how interest rates are determined.

c. how the nominal value of aggregate income is determined.

d. all of the above.

19. The velocity of money is

a. the average number of times that a dollar is spent in buying the total amount of final goods and services.

b. the ratio of the money stock to high-powered money.

c. the ratio of the money stock to interest rates.

d. none of the above.

20. The measurement of Balance of Payments deficit is based on:-

a. Autonomous transaction.

b. Accommodating transaction

c. Current account transaction.

d. Capital account transaction.

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(PART-B : Descriptive)

Time: 2 HRS 40 MINS Marks : 50

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

1. Explain various phases of Business Cycle in detail. 10

2. a Elaborate how to derive the LM curve. 4
   b. What is the effect of monetary policy on LM curve? Explain. 6

3. a. What causes shift in IS curve? 4
   b. Explain general equilibrium with IS-LM model 6

4. a. Explain Friedman's modern quantity theory of money. 4
   b.. Explain Patinkins's real balance effect on demand for money. 6

5. a. What is Cost-Push inflation? 6
   b. What are the measures to control inflation? 4

6. a. Explain inflationary gap. 6
   b. Explain Phillips curve. 4

7. a. What are the causes of business cycle? 4
   b. Elaborate Keynes's theory of business cycle. 6

8. a. Explain different accounts of balance of payments. 4
   b. What is autonomous and accommodating item in BoP? Explain. 6

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