

**MA ECONOMICS  
SECOND SEMESTER [REPEAT]  
MACRO-ECONOMIC ANALYSIS-II  
MEC – 202**

**SET  
A**

**[USE OMR SHEET FOR OBJECTIVE PART]**

Duration: 3 hrs.

Full Marks: 70

Time: 30 mins.

**(Objective)**

Marks: 20

*Choose the correct answer from the following:*

*1 × 20 = 20*

1. The term microeconomics and macroeconomics were first given by -----
  - a. Adam Smith
  - b. Prof. J. M. Keynes
  - c. Ragner Frisch
  - d. Alfred Marshall
2. In macroeconomics, we study about -----
  - a. Theory of National Income & Employment
  - b. Theory of Money Supply & Price Level
  - c. Theory of International Trade & Eco growth
  - d. All of the above
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. The classical economists argued that the production of goods and services (supply) generates an equal amount of total income and, in turn, total spending. This theory is called:
  - a. Keynes' General Theory
  - b. Say's Law
  - c. The "animal spirits" theory
  - d. The law of autonomous consumption.
5. Who developed the concept of IS- LM model?
  - a. Hicks and Hansen
  - b. J. M. Keynes
  - c. Adam Smith
  - d. None of the above
6. When rate of interest falls, level of investment will –
  - a. Increase
  - b. Decrease
  - c. No effect on investment
  - d. Both a & b
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. IS curve slopes –
  - a. Upward
  - b. Downward
  - c. Horizontal
  - d. Vertical

9. The steepness of IS curve depends on---
- The elasticity of investment demand curve;
  - The size of the multiplier;
  - Demand for money
  - Both a & b
10. The position of IS curve depends on---
- Rate of interest
  - Rate of investment,
  - Autonomous expenditure
  - None of the above
11. Which of the following best defines the LM curve?
- Illustrates the effects of changes in  $r$  on desired money holdings by individuals
  - Illustrates the effects of changes in  $r$  on investment.
  - The combinations of  $r$  and  $Y$  that maintain equilibrium in the goods market.
  - The combinations of  $r$  and  $Y$  that maintain equilibrium in financial markets.
12. Demand-pull inflation may be caused by:
- An increase in costs
  - A reduction in interest rates
  - A reduction in government spending
  - An outward shift in aggregate supply
13. An increase in injections into the economy may lead to:
- An outward shift of aggregate demand and demand-pull inflation
  - An outward shift of aggregate demand and cost-push inflation
  - An outward shift of aggregate supply and demand-pull inflation
  - An outward shift of aggregate supply and cost-push inflation
14. According to the Phillips curve, unemployment will return to the natural rate when:
- Nominal wages are equal to expected wages
  - Real wages are back at long-run equilibrium level.
  - Nominal wages are growing faster than inflation
  - Inflation is higher than the growth of nominal wages
15. In a boom:
- Unemployment is likely to fall
  - Prices are likely to fall
  - Demand is likely to fall
  - Imports are likely to fall
16. When aggregate economic activity is declining, the economy is said to be in
- A contraction
  - An expansion.
  - A trough
  - A turning point.
17. Economists use the term shocks to mean
- Unexpected government actions that affect the economy
  - Typically, unpredictable forces that have major impacts on the economy
  - Sudden rises in oil prices.
  - The business cycles.
18. The quantity theory of money is a theory of
- How the money supply is determined.
  - How interest rates are determined.
  - How the nominal value of aggregate income is determined.
  - All of the above.
19. The velocity of money is
- The average number of times that a
  - The ratio of the money stock to high-

dollar is spent in buying the total amount of final goods and services.

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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**( Descriptive )**

Time : 2 Hr. 30 Mins.

Marks : 50

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

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|---|--------|
| 1. Write a note on recent controversy in Macroeconomics on Keynesian and Post-Keynesian thought.                                  | 10     |
| 2. a) Explain three factors that lead to shifting of LM curve.<br>b) Why the IS-curve slopes downwards?                           | 4+6=10 |
| 3. a) What do you mean by Monetary and Fiscal policy?<br>b) Explain general equilibrium with IS-LM model                          | 6+4=10 |
| 4. a) Explain Patinkins's real balance effect on demand for money.<br>b) Elaborate Baumol's inventory theory of demand for money. | 4+6=10 |
| 5. a) What is demand-pull inflation?<br>b) What are the causes of inflation?  | 6+4=10 |
| 6. a) Illustrate Friedman's modern quantity theory of money.<br>b) Explain Phillips curve.  | 6+4=10 |
| 7. a) Explain the different phases of Business cycle?<br>b) Elaborate Schumpeter's innovation theory of business cycle.           | 4+6=10 |
| 8. a) Explain the structure of balance of payments.<br>b) What are the main causes of disequilibrium in BOP?                      | 4+6=10 |

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