

MA ECONOMICS  
SECOND SEMESTER [SPECIAL 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*

- The school of thought that emphasizes the natural tendency for an economy to move toward equilibrium full employment without inflation is known as the:
  - Keynesian school
  - Supply-side school
  - Non-interventionist school
  - Classical school
- 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:
  - Keynes' General Theory
  - Say's Law
  - The "animal spirits" theory
  - The law of autonomous consumption
- In the classical model, the aggregate supply curve determines the \_\_\_\_\_.
  - Money supply
  - Inflation rate
  - Level of output
  - Price level
- In the Keynesian model, liquidity preference refers to the \_\_\_\_\_.
  - Demand for consumer goods
  - Demand for capital
  - The supply of money
  - Demand for money
- Who developed the concept of IS- LM model?
  - Hicks and Hansen
  - J. M. Keynes
  - Adam Smith
  - None of the above
- When rate of interest falls, level of investment will –
  - Increase
  - Decrease
  - No effect on investment
  - Both a & b
- The curve which shows different equilibrium levels of national income with various rates of interest is called
  - LM curve
  - IS curve
  - Income curve
  - None of the above
- IS curve slopes –
  - Upward
  - Downward
  - Horizontal
  - Vertical

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 position of IS curve depends on---
- a. Rate of interest
  - b. Rate of investment,
  - c. Autonomous expenditure
  - d. None of the above
11. Which of the following best defines the LM curve?
- a. Illustrates the effects of changes in  $r$  on desired money holdings by individuals
  - b. Illustrates the effects of changes in  $r$  on investment.
  - c. The combinations of  $r$  and  $Y$  that maintain equilibrium in the goods market.
  - d. The combinations of  $r$  and  $Y$  that maintain equilibrium in financial markets.
12. Demand-pull inflation may be caused by:
- a. An increase in costs
  - b. A reduction in interest rates
  - c. A reduction in government spending
  - d. An outward shift in aggregate supply
13. Tobin's model of the speculative demand for money improves on Keynes's analysis by showing that
- a. The speculative demand for money is interest insensitive.
  - b. The transactions demand for money is interest insensitive.
  - c. People will hold a diversified portfolio.
  - d. People will hold money or bonds but not both.
14. According to the Phillips curve, unemployment will return to the natural rate when:
- a. Nominal wages are equal to expected wages
  - b. Real wages are back at long-run equilibrium level.
  - c. Nominal wages are growing faster than inflation
  - d. Inflation is higher than the growth of nominal wages
15. In a boom:
- a. Unemployment is likely to fall
  - b. Prices are likely to fall
  - c. Demand is likely to fall
  - d. Imports are likely to fall
16. When aggregate economic activity is declining, the economy is said to be in
- a. A contraction
  - b. An expansion.
  - c. Atrough
  - d. A turning point.
17. The term business cycle refers to \_\_\_\_\_.
- a. The ups and downs in production of commodities.
  - b. The fluctuating levels of economic activity over a period of time.
  - c. Decline in economic activities over prolonged period of time.
  - d. Increasing unemployment rate and diminishing rate of savings.
18. Select the odd out:
- a. Expansion
  - b. Boom
  - c. Upswing
  - d. Trough



19. The Balance of Payment account records the inflow of foreign exchange on the \_\_\_\_\_
- a. Debit side
  - b. Credit side
  - c. Both a and b
  - d. None of the above
20. Balance of Payments uses the \_\_\_\_\_ system of accounting.
- a. Single-entry
  - b. Double-entry
  - c. Cash basis
  - d. Accrual basis

-- --- --

**( Descriptive )**

Time : 2 Hr. 30 Mins.

Marks : 50

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

- |  |        |
|--|--------|
| 1. Explain monetary and fiscal policy mix in general equilibrium.  | 10     |
| 2. a) Explain the movement of LM curve.<br>b) Why the IS-curve slopes downwards?   | 4+6=10 |
| 3. a) Explain how to draw aggregate demand curve from IS-LM model.<br>b) Why does IS curve shift to the right?             | 6+4=10 |
| 4. a) What is risk aversion theory of liquidity preference?<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 the concept of 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 different components of balance of payments.<br>b) What are the main causes of disequilibrium in BOP?        | 4+6=10 |

= = \*\*\* = =