UNIVERSITY OF CALICUT
SCHOOL OF DISTANCE EDUCATION

BA ECONOMICS

Macro Economics II

IV SEMESTER

(2019 Admission)

QUESTION BANK

1. The headline inflation in India is measured in:

   (a) WPI (b) CPI
   (c) GDP Deflator (d) All

2. The working group in India include in the age:

   (a)14 to 55 (b)15 to 59
   (c)20 and above (d)25 and above

3. The main type of un employment referred by the Classicals:

   (a) Voluntary (b) Involuntary
   (c) Both (d) None

4. The main type of un employment referred by the Keynesian:

   (a) Voluntary (b) Involuntary
   (c) Both (d) None

5. The main type of un employment referred by the Post-Keynesians:

   (a) Voluntary (b) Involuntary
   (c) Natural rate (d) None

6. The concept of disguised unemployment is developed by:

   (a) Keynes (b) Adam Smith
   (c) Joan robinon (d) Samuelsson

7. Main reason for frictional unemployment is :

   (a) Lack of opportunities (b) Low wage
   (c) High cost (d) Market imperfection

8. Okun's law related with :

(a) Unemployment and growth rate
(b) Inflation and growth rate
(c) wage lose
(d) None

9. The term Stagflation is coined by:

(a) Samuelson
(b) Iain Macleod
(c) Keynes
(d) None

10. Long run Phillips Curve is :

(a) Parallel
(b) Horizontal
(c) Vertical
(d) Kinked

11. In business cycle, depression is followed by:

(a). Boom
(b) Recovery
(c) Recession
(d) None of the above

12. A business cycle has:

(a) Three phases
(b) Four phases
(c) Five Phases
(d) Six phases

13. Open market operations refer to the sale and purchase by the RBI of:

(a) Gold
(b) Foreign exchange
(c) Government securities
(d) All the above

14. Which of the following is not an objective of monetary policy?

(a) Price stability
(b) Balance of Payments equilibrium
(c) Economic growth
(d) Reduction in export

15. Which of the following is not a quantitative credit control measure?

(a) Bank rate
(b) Cash reserve ratio
(c) Regulation of margin requirement
(d) Open Market operation

16. Which of the following is not an element of high Powered money?

(a) Currency
(b) Repos
(c) Required Reserves
(d) Excess reserves

17. The ratio of money supply to high powered money is:

(a) SLR (b) CRR

(c) Money Multiplier (d) Bank rate

18. Monetary Policy refers to the policy of the:

(a) Government (b) Central Bank

(c) Money lenders (d) Private Entrepreneurs

19. Which of the following is an example of qualitative credit control measure?

(a) Variable reserve ratio (b) Prescribing margin requirements

(c) Discriminatory taxes (d) Open market operations

20. Fiscal Policy is a policy of the

(a) Central bank (b) Government

(c) Finance commission (d) Finance minister

21. Fiscal Policy includes:

(a) Expenditure policy (b) Tax policy

(c) both a and b (d) neither a nor b.

22. The primary purpose of monetary policy of the RBI

(a) Price stability (b) Wealth

(c) Exchange rate (d) Growth

23. Fiscal Policy refers to policy towards:

(a) Public revenue (b) public expenditure

(c) public debt (d) all of the above

24. In a closed economy which of the following is not a macroeconomic objective?

(a) National income growth (b) price level stability

(c) BOP stability (d) employment

25. A business cycle is composed of ------phases:

(a) 2 Phase (b) 3 Phase

(c) 4 Phase (d) No Phase

26. The percentage of deposits of commercial banks statutorily kept with the RBI is :

(a) Cash Reserve Ratio (b) Statutory Liquidity Ratio

(c) Repo Rate (d) None of these

27. Peak is the --- turning point of the business cycle.

(a) Upper turning point (b) Lower turning point

(c) Middle turning point (d) None of these

28. The trough of a business cycle occurs when hits its lowest point of

(a) Inflation (b) the money supply

(c) aggregate economic activity (d) the unemployment rate

29. The lowest point in the business cycle is referred to as the:

(a) Expansion. (b) Boom.

(c) Trough. (d) Peak.

30. When aggregate economic activity is increasing, the economy is said to be in:

(a) an expansion. (b) a contraction.

(c) a peak. (d) a turning point.

31. When aggregate economic activity is declining, the economy is said to be in:

(a) a contraction. (b) an expansion.

(c) a trough. (d) a turning point.

32. The long-run Phillips curve is vertical which indicates

(a) that in the long-run, there is no tradeoff between inflation and unemployment

(b) that in the long-run, there is no tradeoff between inflation and price level

(c) that in the long-run, the economy returns to a 4 percent level of inflation

(d) none of these

33. What are the two main components of business cycle theories?

(a) A description of shocks and a model of how the economy responds to them

(b) A model of how people decide to spend and a description of the government's role in the economy

(c) A model of how equilibrium is reached and a description of the government's role in the economy

(d) A description of shocks and a description of the government's role in the economy

34. 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 cycle.

35. Wars, new inventions, harvest failures, and changes in government policy are examples of:

(a) the business cycle. (b) economic models.

(c) shocks. (d) opportunity costs.

36. Peaks and troughs of the business cycle are known collectively as:

(a) Volatility. (b) Turning points.

(c) Equilibrium points. (d) Real business cycle events.

37. ISLM model was basically .... sector model:

(a) Two (b) One

(c) Three (d) Four

38. ISLM model was firstly developed by …………

(a) Hansen (b) Hicks

(c) Keynes (d) None

39. IS curve represents the equilibrium of .... sector.

(a) Money (b) Goods

(c)Government (d) All

40. LM curve represents the equilibrium of............ sector.

(a) Money (b) Goods

(c) Government (d) All

41. The LM curve has a ....slope.

(a) Positive (b) Negative

(c) Parallel (d) No slope

42. Original IS-LM model is a.......... model.

(a) Open (b) Closed

(c) Both (d) None

43. ISLM is used to determine:

(a) income (b) interest

(c) Both (d) none of the above

44. The goods market is otherwise referred to as:

(a) Money (b) Financial

(c) both (d) Real sector

45. The relationship between income and interest in the IS curve is:

(a) Direct (b) Indirect

(c) No relation (d) None

46. The relationship between income and interest in the LM curve is:

(a) Direct (b) Indirect

(c) No relation (d) None

47. In the IS curve which are the variables are in equilibrium?

(a) Investment (b) Saving

(c) Both (d) None.

48. In the LM curve which are the variables are in equilibrium?

(a) M_d (b) Ms

(c) Both (d) None.

49. The tax cut shift the IS curve to the:

(a) Right (b) Left

(c) No change (d) Any of these.

50. Increase in Government expenditure shift IS curve to:

(a) Right (b) Left

(c) No change (d) Any of these.

51. Decrease in money supply shift the LM curve to the:

(a) Right (b) Left

(c) No change (d) Any of these.

52. One of the limitations of the ISLM model was:

(a) Static nature (b) open model

(c) price is exogenous (d) All

53. Who develop the ISLM open economy model?

(a) Mundell (b) Fleming

(c) Both (d) None

54. For an open economy model which curve is added IS-LM?

(a) Ms (b) Demand

(c) Md (d) BP.

55. A temporary unemployment which exists during the period of the transfer of labor from one occupation to another is called

a. Voluntary Unemployment b. Involuntary Unemployment

c. Cyclical Unemployment d. Frictional Unemployment

56. When more workers are engaged in a work than actually required to work, it is called

a. Voluntary Unemployment b. Involuntary Unemployment

c. Disguised Unemployment d. Frictional Unemployment

57. The position of IS curve depends on---

a. rate of interest, b. rate of investment,

c. autonomous expenditure d. none of the above

58. The curve which relates the level of income with the rate of interest which is determined by money- market equilibrium corresponding to different levels of demand for money is known as

a. IS curve b. LM curve

c. Income curve d. None of the above.

59. LM curve slopes—

a. downward to the right b. upward to the right

c. vertical d. horizontal.

60. The great depression was caused by what major event?

a. An increase in federal spending
b. The stock market crash
c. Automobile workers going on strike
d. President Hoover announcing a war

61. Which economist for the first time classified microeconomics and macroeconomics?

a. Adam smith b. Ragnar Frisch

c. David Ricardo d. J.B. Say

62. The IS-LM model is represent the ……… equilibrium of the economy

a. General b. Partial

c. Both a and b d. None

63. Great Depression was between ……and …….

a.1929,1939 b.1930,1950

c.1928,1930 d.1930,1940

64. The financial crisis of 2007-08 originated in the following country.

a. US b. UK

c. Russia d. India

65. During the financial crisis of 2007-08, which financial instruments commonly came to be called "Toxic Assets"?

a. Treasury bill b. Mortgaged backed securities

c. S&P Stokes d. Government Bonds

66. The period of economic downturn that ensued after the financial crisis of 2007-08 and affected many countries world-wide is called:

a. The great depression b. The great recession

c. Black Friday d. Great collapse

67. When was great Recession?

a.1929 b.2007

c.2008 d.1930

68. Fiscal policy in India is formulated by

a) Reserve Bank of India b) Planning Commission

c) Finance Ministry d) Securities and Exchange Board of India

69. Economic Survey in India is published by the

a) Reserve Bank of India (b) Ministry of Finance, Government of India

c) NITI Aayog d) Ministry of Industries, Government of India

70. Which one of the following is the largest item of expenditure of the Government of India on revenue account?

a) Defense b) Pensions

c) Subsidies d) Interest payments

71. The lowest level of economic activity is called _____

(a) contraction

(b) trough

(c) recovery

(d) none of the above

72. During depression _____ industry suffer from excess production capacity.

(a) capital goods

(b) consumer durable goods

(c) non-durable goods

(d) both ‘a’ and ‘b’

73. The term business cycle refers to –

(a) fluctuations in aggregate economic activity over time.

(b) ups and down in the production of goods

(c) increasing unemployment

(d) declining savings

74. Expansion phase all but one of the following characteristics.

(a) Increase in national output

(b) Increase in consumer spending

(c) Excess production capacity of industries

(d) Expansion of bank credit

75. Which one of the following is not the characteristic of business cycle?

(a) They are recurrent

(b) They are not at regular intervals

(c) They have uniform causes

(d) All the above

76.The turning points of the business cycle are

(a) Expansion and Peak

(b) Peak and Contraction

(c) Contraction and Trough

(d) Peak and Trough

77. _____ refers to the top or the highest point of business cycle.

(a) Expansion

(b) Peak

(c) Expansion and Peak

(d) None of the above

78. Involuntary unemployment is almost zero in the _____ phase of business cycle.

(a) Expansion

(b) Contraction

(c) Trough

(d) Depression

79. The economy is said to be overheated at the _____ phase of business cycle.

(a) Expansion

(b) Peak

(c) Contraction

(d) Depression

80. Cost of living increases when business cycle is _____

(a) expanding

(b) contracting

(c) at peak

(d) at lowest point

81. There is large scale of involuntary unemployment in the _____ phase of business cycle.

(a) expansion

(b) peak

(c) contraction

(d) none of the above

82. Fall in the level of investments, fall in production, fall in employment, fall stock prices, etc. are found during _____ phase of business cycle.

(a) expansion

(b) boom

(c) peak

(d) contraction

83. One of the external factors of business cycle

(a) War

(b) Changes in government spending

(c) Money supply

(d) Fluctuations in investments

84. When prices are falling continuously, the phenomenon is called:

(a) Inflation

(b) Stagflation

(c) Deflation

(d) Reflation

85. When too much money chases too few goods, the resulting Inflation is called:

(a) Deflation

(b) Demand-pull Inflation

(c) Cost push inflation

(d) Stagflation

86. Cause of Inflation in India is / are:

(a) Deficit financing

(b) Erratic agriculture growth

(c) Inadequate rise in industrial production

(d) All of the above

87. Stagflation means:

(a) Inflation with stagnation

(b) Recession with stagnation

(c) Inflation galloping like stage

(d) Inflation & increasing output

88. Which is the most effective quantitative method to control inflation in the economy?

(a) Bank rate policy

(b) Selective credit control

(c) Cash reserve ratio

(d) Both (A) and (C)

89. Which measures are followed by the government for handling inflation?

(a) Monetary measures

(b) Fiscal measures

(c) Controlling Investments

(d) All of these

90. Inflation is measured on the basis of:

(a) Wholesale price index

(b) Consumer price index

(c) Marshall’s index

(d) All of these

91. When price increases due to increase in factor prices it is ______.

(a) Demand pull inflation

(b) Cost pull inflation

(c) Stagflation

(d) None of the above.

92. 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 equilibrium level

C. Nominal wages are growing faster than inflation

D. Inflation is higher than the growth of nominal wages

93. Demand pull inflation may be caused by ?

A. An increase in costs

B. A reduction in interest rate

C. A reduction in government spending

D. An outward shift in aggregate supply

94. The economist who proposed that, “Inflation is always and everywhere a monetary phenomenon” was

(a) John Maynard Keynes.

(b) John R. Hicks.

(c) Milton Friedman.

(d) Franco Modigliani.

95. Inflation occurs whenever

(a) the price level rises.

(b) the money supply increases.

(c) the price level rises continuously over a period of time.

(d) the price level falls continuously over a period of time.

96. An unrealistically low unemployment target will most likely result in

(a) inflation.

(b) an unemployment rate falling below the natural rate.

(c) excessive monetary growth.

(d) all of the above.

97. Governments may pursue inflationary monetary policies

(a) to promote high employment.

(b) to accommodate demands of workers for higher wages.

(c) to finance a persistent budget deficit.

(d) for all the above reasons.

98. Which of the following is least likely to lead to inflationary monetary policy?

(a) Rising unemployment

(b) Expanding federal budget deficits

(c) Declining oil prices

(d) Conflict in the Middle East

99. Economists from which of the following schools of thought are most likely to favor activist government policies?

(a) Keynesian

(b) Monetarist

(c) Classical

(d) All of the above

100. According to the monetarists, inflation is caused by

(a) supply shocks.

(b) expansionary fiscal policies.

(c) expansionary monetary policies.

(d) rising prices.

ANSWER KEY

1	a	21	c	41	a	61	b	81	c
2	b	22	a	42	b	62	a	82	d
3	a	23	d	43	c	63	a	83	a
4	b	24	c	44	d	64	a	84	c
5	c	25	c	45	b	65	b	85	b
6	c	26	a	46	a	66	b	86	d
7	d	27	a	47	c	67	c	87	a
8	a	28	c	48	c	68	c	88	d
9	b	29	c	49	a	69	b	89	d
10	c	30	a	50	a	70	d	90	b
11	b	31	a	51	b	71	b	91	b
12	b	32	a	52	a	72	d	92	a
13	c	33	a	53	c	73	a	93	b
14	d	34	b	54	d	74	c	94	c
15	c	35	c	55	d	75	c	95	c
16	b	36	b	56	c	76	d	96	d
17	c	37	a	57	c	77	b	97	d
18	b	38	b	58	b	78	a	98	c
19	b	39	b	59	b	79	b	99	a
20	b	40	a	60	b	80	c	100	c

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