

QUESTION BANK

Department of Economics

Semester – II, CC – III

INTRODUCTORY MACRO ECONOMICS

Answer in one sentence or Fill in the blanks

1 × 12 = 12

1. Macro means a _____ part.
2. The term Micro and Macro economics were introduced by _____.
3. The Greek word _____ means large.
4. Macro Economics views the working of an economy in _____.
5. Micro Economics is _____ where as Macro Economics is _____.
6. National income is a _____ variable.
7. National wealth is a _____ variable.
8. GNP minus depreciation allowance gives _____.
9. Personal income minus direct personal taxes gives _____.
10. NNP=GNP minus _____.
11. When some item is counted twice or more it is called _____.
12. Gifts, pensions, dowry etc are called _____.
13. The Gross value of current output of Goods and Services within a country's territory is called _____.
14. GNP represents the gross value of all _____ goods and services.
15. Household incur _____ expenditure.
16. Firm incur _____ expenditure.
17. Saving tends to equal with _____.
18. Public sector provides _____ in a country.
19. Supply creates its own demand in the context of the Say's law of _____.
20. Classical theory of employment is _____ oriented.
21. In the classical theory, rate of _____ is regarded as a strategic variable.
22. Keynes _____ Say's law.
23. Keynes condemned _____ policy.
24. Interaction between ASF and ADF curves is referred as the Keynesian _____.
25. ADF is a direct function of the volume of _____.
26. ASF curve is _____ sloping.
27. The intersection of ASF with ADF determines the level of _____ and _____.

28. The investment function is determined by two factors viz, _____ and _____.
29. Money is what money _____.
30. _____ is the sine qua non of money.
31. Fisher's quantity theory rests on _____.
32. Demand for money by C-B approach means _____.
33. Speculations demand for money implies _____ cash balance.
34. Liquidity Trap refers to perfectly _____.
35. For classical, money is demanded as a _____.
36. To Keynes, demand for money implies to _____.
37. Liquidity Trap means _____ demand for money.
38. _____ demand for money implies inactive cash balance.
39. Inflation is _____, Deflation is _____.
40. Mild inflation is _____ for production.

Answer in two or three sentences only

2 × 8 = 16

1. What do you mean by Macro Economics?
2. What is economic static?
3. What is economic dynamic?
4. Define equilibrium.
5. What is partial equilibrium?
6. What do you mean by GDP_{MP} ?
7. What is GDP_{FC} ?
8. What is GNP_{MP} ?
9. What is personal income?
10. What is personal deposit income?
11. What do you mean by Normal residents?
12. What is green accounting?
13. What is closed economy?
14. What is meant by open economy?
15. What is bank?
16. What is near money?
17. What is price index number?
18. Specify two difficulties in constructing index number.
19. What do you mean by demand pull inflation?
20. What is cost push inflation?
21. What is inflation gap?
22. What is hyper inflation?
23. What is disinflation?

24. What do you mean by stagflation?
25. What is structural inflation?
26. What is Say's law of market?
27. Mention two weaknesses of the classical theory.
28. What do you mean by full employment?
29. How money wage affect real wage?
30. How is saving-investment equality maintained in classical theory?
31. Give two elements of Say's law.
32. Specify three prospective of Say's law of market.
33. How is labour market equilibrium reached?
34. What is effective demand?
35. What is aggregate demand price?
36. What is aggregate supply price?
37. How is saving-investment equality achieved in Keynesian theory?
38. What does consumption function explain?
39. What is marginal propensity to consume?
40. What is meant by marginal propensity to save?
41. What do you mean by average propensity to save?
42. Mention two factors that affect consumption function.
43. How is MPC related to MPS?
44. How does MPC affect multiplier?
45. What do you mean by value of money?

Q 3. Write notes of the followings within 75 words each.

3 × 8 = 24

1. Determine GDP at market price.
2. Determine GDP at market price.
3. Determine GDP at factor price.
4. How is GNP calculated?
5. Determine GNP at factor price.
6. How is Personal Disposable income calculated?
7. How is National Disposable income calculated?
8. Distinguish between real flows and money flows.
9. Describe three sector models in a simple economy.
10. How is national income identity established?
11. What are the major difficulties of estimating national income?
12. How is national income related to welfare?
13. What is green accounting?
14. What are intermediate goods?
15. Distinguish between money and near money.

16. How money is different from other liquid assets?
17. What do you mean by value of money?
18. What is index number?
19. What do you mean by bank money?
20. What do you mean by velocity circulation of money?
21. What do you mean by demand-pull inflation?
22. What is cost-push inflation?
23. What is inflationary gap?
24. What is suppressed inflation?
25. What is structural inflation?
26. What is disinflation?
27. What do you mean by stagflation?
28. What is Say's law of market?
29. How does money wage affect real wage?
30. What is meant by Laissez-faire policy?
31. What do you mean by full employment?
32. How is saving-investment equality maintained in classical theory?
33. How is labour market equilibrium is achieved?
34. Explain the statement "Supply creates its own demand".
35. Give two elements Say's law.
36. What is under employment equilibrium?
37. What is effective demand?
38. What is aggregate demand price?
39. What is aggregate supply price?
40. What is consumption function?
41. Why is income consumption relation disproportional?
42. How is saving investment equality achieved in Keynesian theory?
43. What does consumption function show?
44. What is MPC?
45. What is APS?
46. How is MPC related to MPS?
47. Mention two factors that affect consumption function.
48. Determine national income by expenditure method.
49. What are the three basic units in a three-sector model?
50. Specify the two basic units in two-sector model.

Q.4 – Answer the following within 500 words each

7 × 4 = 28

1. Discuss the nature of Macro economics and point out its importance.
2. Distinguish between stock and flow variables and point out their relationship.

3. Distinguish between partial equilibrium and general equilibrium.
4. Explain the value added method of calculating national income. What precautions are taken while following this model?
5. How is national income related to welfare? Can national income be accepted as a true indicator of economic welfare?
6. Explain the circular flow of NY in a three sector simple economy with diagram.
7. Discuss the Cambridge cash balance approach to the quantity theory of money.
8. What do you mean by value of money? How are changes in the value of money measured?
9. What is index number? How is it constructed? Show the difficulties in the construction of price index number.
10. Critically examine the cash transaction approach of quantity theory of money.
11. Distinguish between demand-pull and cost-push inflation. How have these two views on inflation been reconciled?
12. What is inflation? Explain its effects on production and distribution.
13. Discuss the causes of inflation. How can it be controlled?
14. Analyze the classical theory of employment without saving and investment.
15. Discuss the classical theory of employment with saving and investment.
16. "Supply creates its own demand". Critically examine this statement.
17. State and explain Say's law of market and point out its implications.
18. Show how is equilibrium established by using aggregate demand and aggregate supply approach.
19. What is the concept of effective demand? Explain it with diagram.
20. By using Keynesian theory of employment, show how income and employment are determined.
21. What is consumption function? What are its properties?
22. What is MPC? Why does MPC decline with increase in income?
23. Explain how NY is determined in a closed economy.
24. Analyze the process of income determination in a two-sector model.
25. Examine the process of income determination in a three-sector model.
26. Explain the role of government in the determination of the equilibrium level of income in a closed economy.
27. Examine the process of income determination in a four-sector model.
28. Explain the multiplier effect of govt. expenditure on the equilibrium level of income.
29. Explain the operation of balanced budget multiplier and show how NY changes with the imposition of tax to finance/expenditure.
30. Explain the process of determination of the equilibrium level of income in a two-sector closed economy.