QUESTION BANK

Department of Economics

Semester – III, CC – VI

MACRO ECONOMICS

Answer in one sentence or Fill in the blanks   1 × 12 = 12

1. The economic crisis of 1930's is called the period of _____.
2. Who wrote "General Theory of Employment, Interest and Money"?
3. With whom the era of "The New Economics" started?
4. Keynes integrated _____variables to develop his General Theory.
5. Consumption refers to that part of _____income which is spent on final goods and services by the household.
6. The functional relationship between consumption and disposable income is termed as _____.
7. The increase in consumption due to a given increase in disposable income is called _____.
8. The marginal propensity to consume is always _____.
9. _____consumption is independent of the level of income.
10. The slope of consumption function is _____.
11. Consumption is a _____function of the level of income.
12. The point indicating the equality between consumption expenditure and income is called _____.
13. After the break-even point consumption expenditure increases with the increase in income but _____than proportionately.
14. The ratio of consumption expenditure to any given level of income is called _____.
15. The ratio of change in consumption to change in income is called _____.
16. The case of linear consumption function, APC _____with the increase in income.
17. In case of linear consumption function what happens to MPC when income increases?
18. In case of non-linear consumption function, both APC and MPC _____with the increase in income.
19. Which law forms the basis of consumption function?
20. Keynesian consumption function is a _____run analysis.
21. The development made by Tobin and Smith on Keynesian Absolute income hypothesis is called _____theory of consumption.

22. According to Absolute Income hypothesis, APC _____ as the level of income.
23. According to Duesenberry(RIH) consumption expenditure of an individual depends on his _____ income.
24. Relative income hypothesis assumes a _____ relationship between the increase in income and increase in consumption.
25. According to Duesenberry, with the increase in income the APC of the poor will be higher than the rich due to _____ effect.
26. According to Duesenberry, with the fall in income, consumption expenditure will decrease but not to the extent of the fall in income due to _____ effect.
27. According to Duesenberry, with the increase in income the APC of the community as a whole will _____.
28. The Relative income hypothesis assumes that the income consumption relations are _____ overtime.
29. According to Milton Friedman consumption is determined by _____ income.
30. Friedman calls the long-run expected income as _____ income.
31. According to Friedman the sum of the permanent income and transitory income is called _____.
32. According to Friedman the relationship between consumption and permanent income is _____.
33. According to permanent income hypothesis _____ income may be positive or negative.
34. The permanent income hypothesis assumes that there is no _____ between transitory income and transitory consumption.
35. According to the life cycle hypothesis people make consumption decision on the basis of their _____ income.
36. According to the life cycle hypothesis on the whole the APC _____ as income rises.
37. According to permanent income hypothesis the short-run consumption-income relationship is _____.
38. In Keynesian economics investment refers to _____ investment.
39. Which investment is independent of changes in the level of income?
40. Induced investment is very much sensitive to _____.
41. Which one according to Keynes is the most important factor influencing induced investment?
42. Induced investment is a _____ function of income.
43. As investor will invest on fixed capital assets when _____ will be more than the rate of interest.
44. The investment in raw materials, semi-finished goods and finishe goods stock is called _____ investment.
45. Inventory investment takes place in Proportion to the level of _____.

46. The total net returns expected from the capital asset over its life time is called _____.
47. The annual return of a capital asset is called _____.
48. Investment decision on a capital asset is determined by its prospective yield and ___.
49. The shape of MEC curve is _____.
50. MEC is high when the level of investment is _____.
51. MEC curve is otherwise is known as _____.
52. Given the ratio of interest, the higher the marginal efficiency of investment _____ will be the volume of investment.
53. Investment multiplier is the _____ of the change in autonomous investment.
54. Acceleration coefficient is the ratio of changes in _____ to changes in output or income.
55. In the operation of acceleration principle the capital-output ratio is assumed _____.
56. The coins whose face values are equal to their intrinsic values are called _____.
57. Standard coins are _____ legal tenders.
58. _____ money is created by commercial banks.
59. Deferred payments are involved with _____ transactions.
60. What is the unit of account in India?
61. Cambridge economists call demand for money as demand for _____.
62. Keynes visualized _____ motives on why people demand money.
63. Demand for money for transaction motive is a _____ function of the level of income.
64. Demand for money for precautionary motive is _____ elastic.
65. Speculative demand for money is _____ related to rate of interest.
66. Speculative demand for money is _____ elastic.
67. The liquidity trap condition implies that uncertainties in the money market makes the monetary policy _____.
68. IS curve represents equilibrium in _____ market.
69. LM curve represents equilibrium in _____ market.
70. The slope of 'IS' curve is _____.
71. The size of investment multiplier depends on _____.
72. Higher the MPC, _____ will be the value of investment multiplier.
73. The supply curve of money is perfectly _____.
74. The supply of money at a given time is _____.
75. The slope of the 'LM' curve is _____.
76. The slope of the 'AD' curve is _____.
77. The 'AS' curve slopes upward to the right up to the level of _____.
78. _____ equilibrium is determined at the point of interaction between 'IS' and 'LM' curves.

79. So long the 'IS' curve is above the 'LM' curve, the rate of interest in money market will _____.
80. With a given 'LM' curve, if the 'IS' curve shifts upward, the rate of interest will _____.
81. With a given 'IS' curve, if the 'LM' curve shifts backward, the rate of interest will _____.
82. Phillips curve shows the _____between inflation and unemployment.
83. According to Keynes before full employment there is no _____between inflation and unemployment.
84. The phenomenon of higher inflation rate with higher unemployment rate is termed as _____.
85. Phillips curve presents a _____relationship between the rate of inflation and the rate of unemployment.
86. Who introduced the concept "Natural rate of Unemployment"?
87. Long-run Phillips curve shows no _____between inflation and unemployment.
88. According to Phillips the relationship between inflation and unemployment is _____.

Answer in two or three sentences only   2 × 8 = 16

1. What are technical attributes to consumption function?
2. What is average propensity to consume?
3. What is marginal propensity to consume?
4. Write two assumptions of psychological law of consumption.
5. What is marginal propensity to sale?
6. What are the subjective factors which influence consumption function?
7. What are the objective factors which influence consumption function?
8. What does the absolute income hypothesis state?
9. What does the relative income hypothesis state?
10. What is demonstration effect?
11. What is Ratchat effect?
12. What does permanent income hypothesis state?
13. How permanent income is measured?
14. What is measured income?
15. What is transitory consumption?
16. Which factor according to permanent income hypothesis affect the proportion of permanent income consumed?
17. What is autonomous investment?
18. What is induced investment?
19. What is business fixed investment?
20. What is residential investment?
21. What is inventory investment?

22. What is marginal efficiency of capital?
23. What is marginal efficiency of investment?
24. What is investment multiplier?
25. What does accelerator principle imply?
26. How the rental cost of capital is estimated?
27. What is flat money?
28. What is bank money?
29. What is near money?
30. What is transaction demand for money?
31. What is active cash balance?
32. What is liquidity trap?
33. What is idle cash balance?
34. What is speculative demand for money?
35. What is fiduciary system of issue of money?
36. What is full-bodied money?
37. What is high powered money?
38. What is bank money?
39. What is M1 concept of money supply in India?
40. What is M2 concept of money supply in India?
41. What are M3 and M4 concept of money supply in India?
42. What is LM model?
43. What is IS model?
44. What does the slope of IS curve imply?
45. On which factors the slope of IS curve depends?
46. What does the shift in IS curve imply?
47. What does the shift in LM curve imply?
48. How the AD curve is derived in the IS-LM framework?
49. How the general equilibrium of Goods and Money markets derived?
50. What is inflation-unemployment trade off?
51. What is Phillips curve?
52. What is natural rate of unemployment?
53. What is the policy implication of Phillips curve?
54. What is adverse supply shock?
55. What is adaptive expectation hypothesis?

Q 3. Write notes of the followings within 75 words each.   3 × 8 = 24

1. Write a short note on MPC.
2. Write a short note on APC.
3. What is the importance of MPC in the process of income propagation?

4. How the consumption function can be raised?
5. What is drift money?
6. Write a short note on Relative Income Hypothesis.
7. What is life cycle hypothesis?
8. How rate of interest influences consumption function?
9. What are the assumptions of Permanent Income Hypothesis?
10. What is Absolute Income Hypothesis?
11. Write a short note on Autonomous investment.
12. Write a short note on Business Fixed investment.
13. Write a short note on Residential investment.
14. Write a short note on Inventory investment.
15. Write a short note on MEC and MEI.
16. Write a brief note on bank money or credit money.
17. Discuss money as a standard of deferred payment?
18. Why money is considered as a link between present and future?
19. What are the drawbacks of metallic money?
20. Point out the implications of liquidity trap.
21. Write a short note on transaction demand for money.
22. Write a short note on traditional approach to money supply.
23. Write a short note on minimum reserved system of money supply.
24. Explain about high powered money.
25. What is money multiplier?
26. Write short note on IS-LM model.
27. Write a short note on LM curve.
28. Write a short note on shift in the IS curve.
29. Write a short note on shift in the LM curve.
30. Write a short note on general equilibrium of goods and money market.
31. Write a short note on inflation and unemployment.
32. Write a short note on Philips curve.
33. Write a short note on natural rate of unemployment.
34. Write a short note on cost push inflation.
35. Write a short note on demand pull inflation.
36. Write a short note on adaptive expectations.
37. Write a short note on long-run Philips curve.
38. Write a short note on fiscal policy as a controlling measure of inflation.
39. Write a short note on policy implications of Philips curve.
40. What is Keynesian view on inflation?

Q.4 – Answer the following within 500 words each   7 × 4 = 28

1. What is consumption function? Explain the technical attributes of the CF.
2. What is psychological law of consumption? Explain its implications.
3. Consumption expenditure of an individual depends on his relative income. Explain.
4. Explain permanent income hypothesis of consumption function.
5. What do you mean by investment? Distinguish between autonomous and induced investment.
6. What is business fixed investment? Discuss the determinants of business fixed investment.
7. What is MEC? Discuss the factors affecting MEC.
8. What is investment multiplier? Explain the workings of the multiplier in income generation process.
9. Explain Keynesian liquidity preference theory of demand for money.
10. What is liquidity trap? What are its policy implications?
11. Discuss the determinants of money supply.
12. Discuss the measures of money supply in India.
13. Explain the derivation of IS curve from goods market equilibrium with its nature and causes of shift.
14. Explain the derivation of LM curve from goods market equilibrium with its nature and causes of shift.
15. Explain the derivation of AD and AS curves with the help of IS-LM framework.
16. Explain how general equilibrium of employment, output, prices and investment is determined with the help of IS-LM framework.
17. Explain inflation-unemployment trade-off with the help of Philips curve analysis.
18. Discuss different measure of controlling inflation.
19. Distinguish between cost-push and demand-pull inflation. Of the two which can be controlled better?
20. Examine the policy implications of the Philips curve analysis.