

**UNIVERSITY OF CALICUT**  
**SCHOOL OF DISTANCE EDUCATION**  
**BA Economics (2011 Admission Onwards)**  
**II Semester**  
**Core Course**  
**MACRO ECONOMICS -I**  
**QUESTION BANK**

1. Excess demand for money, according to Say's law in the Economy:  
(A) Is greater  
(B) Is very less  
(C) Is equal to zero  
(D) There is no relationship between excess demand for money and Say's Law
2. Which of the following is not an assumption of classical theory?  
(A) Price flexibility  
(B) Unemployment  
(C) Say's law  
(D) Neutrality of money
3. In classical theory the equality between saving and investment is brought about by:  
(A) Rate of interest  
(B) Income  
(C) Consumption  
(D) Multiplier
4. The normal condition of a capitalist economy in classical theory is:  
(A) Underemployment  
(B) Full employment  
(C) General unemployment  
(D) Frictional unemployment
5. Equation of exchange is associated with:  
(A) Pigou  
(B) J.B.Say  
(C) Marshall  
(D) Irving Fisher
6. The theory explaining the direct relationship between the price level and quantity of money is known as :  
(A) Quantity theory of money  
(B) Say's law of markets  
(C) Real theory of interest  
(D) None of these
7. In classical theory the level of employment is a function of:  
(A) Price level  
(B) Money wage rate  
(C) Quantity of money  
(D) Real wage rate

8. Equation of exchange is converted into the quantity theory of money by assuming the following variables as constants:  
(A) V and T (B) M and V  
(C) M and P (D) V and P
9. Which of the following is not an obstacle to full employment in classical theory?  
(A) Excess of saving over investment  
(B) Liquidity trap  
(C) Price rigidity  
(D) Wage Flexibility
10. Fisher's Equation of quantity theory states that :  
(A) P varies directly with income (B) P varies directly with M  
(C) P and M are constants (D) None of the above
11. The classical economists believed that the demand for labour is a function of:  
(A) Total money wages (B) Money wage rate  
(C) Total real wages (D) Real wage rate
12. In classical theory of employment, there is the possibility of:  
(A) Voluntary unemployment (B) No unemployment  
(C) Involuntary unemployment (D) Disguised unemployment
13. The idea that a general cut in wages will finally lead to a state of full employment was suggested by :  
(A) Keynes (B) Marshall  
(C) J.B.Say (D) A.C.Pigou
14. Say's law of market says:  
(A) Supply creates its own demand  
(B) Demand creates supply  
(C) Income generates demand  
(D) Savings create demand
15. The aggregate production function implied under classical theory is :  
(A) Long run (B) Short run  
(C) No time element (D) None of the above
16. In the Cambridge equation of  $M = kPR$ , the value of k is:  
(A)  $M/V$  (B)  $1/V$   
(C) V in Fisher's equation (D) None of these
17. As a result of an increase in capital, ceteris paribus, ----- the marginal productivity of labour:  
(A) Remains constant (B) Increase  
(C) decreases (D) none of these
18. In the classical theory, one of the following is an important assumption:  
(A) Wages and prices are inflexible (B) There is full employment  
(C) Agents are price setters (D) Adjustment is through quantity.

19. In the Fisher's extended equation of exchange  $M^1 V^1$  represents:  
(A) Credit money (B) Primary money  
(C) Both primary and credit money (D) General price level
20. In Fisher's transaction velocity model, one of the following is not an assumption:  
(A) Velocity of circulation of money is constant  
(B) The volume of transactions is constant  
(C) Full employment  
(D) P is considered as an active factor
21. The cash balance equation  $M = KPO$  was given by:  
(A) Keynes (B) Pigou  
(C) Robertson (D) Marshall
22. "Supply creates its own demand" is a law of:  
(A) Investment (B) Inflation  
(C) Consumption (D) Market
23. In the equation  $MV + M^1 V^1 = PT$ , 'M' denotes:  
(A) Velocity of money (B) Money in circulation  
(C) Bank deposit (D) None of these
24. In classical demand for money, the relationship between money supply and price level is:  
(A) Proportional  
(B) Non-proportional  
(C) Neither proportional nor non-proportional  
(D) None of these
25. As per classical theory saving is:  
(A) An increasing function of rate of interest  
(B) Decreasing function of rate of interest  
(C) Decreasing function of level of income  
(D) None of these
26. The Cambridge version of the quantity theory of money was developed by:  
(A) Fisher (B) Alfred Marshall  
(C) Pigou (D) Keynes
27. In classical system which of the following keeps the economy at full employment:  
(A) Level of saving (B) Increase in money supply  
(C) Adjustment in investment (D) Adjustment in money wages
28. In Fisher's equation of exchange  $MV=PT$ , the variation of which produces a proportional change in price:  
(A) M (B) V (C) P (D) T
29. According to classical economists, variations in savings are due to:  
(A) Level of investment (B) Rate of interest  
(C) Level of employment (D) None of the above

30. In classical theory which of the following is found in the economy:  
(A) Unemployment (B) Involuntary unemployment  
(C) Less than full employment (D) Full employment
31. In  $MV=PT$ , if M doubles and V and T remain constant, then P will:  
(A) Double (B) 1/2 (C) 1 (D) 4
32. Pigou's version of Cambridge equation is:  
(A)  $M = KP/Y$  (B)  $P = KR/M$   
(C)  $MV = PT$  (D)  $MV = M^I V^I$
33. The quantity theory of money was restated by:  
(A) Alfred Marshall (B) Milton Friedman  
(C) Irving Fisher (D) J.M. Keynes
34. The law which states that supply creates its own demand and overproduction is impossible is known as:  
(A) The law of supply (B) Say's law of market  
(C) Law of demand (D) Law of macro economics
35. Wages and prices do not adjust quickly to restore general equilibrium is a property of  
(A) Classical economics (B) Keynesian economics  
(C) Monetary economics (D) Supply side economics
36. Classical treated money as a:  
(A) Medium of exchange (B) Store of value  
(C) Both (D) None
37. When there is an increase in the autonomous money supply, ceteris paribus, LM shifts:  
(A) Leftward (B) Rightward  
(C) No shift (D) None
38. An Economic model is a statement of relationship among economic -----  
(A) Variables (B) Phenomena  
(C) Development (D) None of these
39. LM curve shows the equilibrium condition in ----- market  
(A) Goods market (B) Product market  
(C) Money market (D) None of these
40. Supply creates its own demand is the Basis of:  
(A) Classical economics (B) Keynesian economics  
(C) Monetarism (D) None of these
41. The simplest ISLM model consists of:  
(A) Two markets (B) Three markets  
(C) Four markets (D) Five markets
42. The equilibrium in the product market is represented by which curve?  
(A) IS (B) LM  
(C) Demand (D) Supply curve

43. The IS curve has a -----slope  
(A) Positive (B) Negative  
(C) Zero (D) None of these
44. The LM curve has a ----- slope  
(A) Positive (B) Negative  
(C) Zero (D) None of these
45. ISLM model was developed by:  
(A) Hicks (B) Keynes  
(C) Friedman (D) None of these
46. The perfectly elastic segment of the LM curve is:  
(A) Keynesian range (B) Classical range  
(C) Intermediate range (D) None of these
47. Which policy is effective in the Classical range?  
(A) Monetary policy (B) Fiscal policy  
(C) Incomes policy (D) None of these
48. Which policy is effective in the Keynesian range?  
(A) Monetary policy (B) Fiscal policy  
(C) Incomes policy (D) None of these
49. Which policy is effective in the intermediate range?  
(A) Monetary policy (B) Fiscal policy  
(C) Both policies (D) None of these
50. IS-LM model was developed by:  
(A) Keynes (B) Walras  
(C) J.R.Hicks (D) Don-Patinkin
51. Frictional unemployment exists:  
(A) When there is a decrease in real GDP  
(B) Because it takes time to find a job when one is first entering the labour force  
(C) As a result of technological change  
(D) When an individual retires
52. The natural rate of unemployment equals the sum of those who are:  
(A) Frictionally and structurally unemployed  
(B) Frictionally and cyclically unemployed  
(C) Structurally and cyclically unemployed  
(D) Frictionally structurally and cyclically unemployed
53. The marginal productivity of labour is:  
(A) The incremental output due to an increase in capital, ceteris paribus  
(B) The incremental output due to an increase in labour, ceteris paribus.  
(C) The incremental output due to a change in technology, ceteris paribus  
(D) The incremental output due to a change in technology and a change in the amount of capital.

54. The marginal productivity of labour:
- (A) Increases when the price of the good sold increases, *ceteris paribus*
  - (B) Decreases when there is an adverse supply shock, *ceteris paribus*
  - (C) Increase when more workers are hired, *ceteris paribus*
  - (D) Decreases when there is an increase in the quantity of capital, *ceteris paribus*
55. When saving is greater than investment in a two-sector model,
- (A) Output should increase
  - (b) Output should decrease
  - (C) Output should not change
  - (d) None of these
56. When output exceeds spending:
- (A) There is unsold output, and level of output will fall
  - (B) There is unsold output, and level of output will rise
  - (C) There is unsold output, and level of spending will rise
  - (D) There is no unsold output since the level of spending will rise
57. When investment is negatively related to the rate of interest, equilibrium output in the goods market:
- (A) Is unrelated to the rate of interest
  - (B) Is inversely related to the rate of interest
  - (C) Is positively related to the rate of interest
  - (D) Falls as the rate of interest decreases
58. Simultaneous equilibrium in the money (LM) and goods (IS) market exists:
- (A) At an unlimited number of output levels and rates of interest
  - (B) At only one output level and rate of interest
  - (C) At an unlimited number of output levels and only one rate of interest
  - (D) At only one output level and an unlimited number of rates of interest
59. In which of the following situations will an increase in the money supply have no effect upon output?
- (A) LM is steeply sloped and IS is steeply sloped
  - (B) LM is vertical and IS is steeply sloped
  - (C) LM is steeply sloped and IS is vertical
  - (D) LM is relatively flat as is IS
60. Crowding out occurs when:
- (A) A decrease in the money supply raises the rate of interest which crowds out interest – sensitive private sector spending
  - (B) An increase in taxes for the private sector reduces private sector disposable income and spending
  - (C) A reduction in income taxes results in a higher interest rate, which crowds out interest-sensitive private sector spending
  - (D) A reduction in government spending induces less consumption spending
61. Policy Neutrality is the main proposition of:
- (A) Supply Side Economics.
  - (B) Keynesian Economics
  - (C) Monetarism
  - (D) Rational expectations hypothesis

62. Who invented the General Equilibrium analysis?  
(A) L. Walras. (B) W. Leontief  
(C) J.M.Keynes. (D) None of these.
63. Employment equilibrium in the Classical theory is achieved through:  
(A) Wage-Price flexibility. (B) Changes in aggregate demand  
(C) Changes in aggregate supply (D) None of these.
64. Market does not clear is a proposition of:  
(A) Neoclassical theory. (B) Keynesian Economics  
(C) Monetarism (D) Rational expectations
65. The interest rate paid on bonds is known as:  
(A) Call rate (B) Coupon rate  
(C) Repo rate (D) Bank rate
66. The monetary policy is completely ineffective when the LM curve is:  
(A) Vertical (B) Horizontal.  
(C) Upward sloping. (D) Downward sloping
67. Monetarism is associated with:  
(A) Keynesian school (B) Chicago school  
(C) Cambridge school. (D) Neo-Classical school.
68. Changes in the subjective or objective factors  
(A) Never affect consumption function  
(B) Always cause downward shift in consumption function  
(C) Always cause upward shift in consumption function  
(D) They cause upward or downward shifts in consumption function
69. Saving is a function of  
(A) Export (B) Import  
(C) Investment (D) Income
70. Entrepreneurs will have no tendency to expand or contract output and employment when  
(A)  $AD > AS$  (B)  $AD < AS$   
(C)  $AD = AS$  (D) None of the above
71. The slope of the consumption function is called  
(A) MPC (B) MPS  
(C) APC (D) APS
72. The concept of effective demand is associated with the name of  
(A) Marshall (B) Keynes  
(C) Krugman (D) Say
73. In a closed economy, the value of multiplier , when MPC is 0.90  
(A) 25 (B) 90  
(C) 10 (D) 9

74. Income is a ----- variable  
(A) Flow (B) Discontinuous  
(C) Stock (D) None of the above
75. Ratio of consumption expenditure to any particular level of income  
(A) MPS (B) APS  
(C) APC (D) MPC
76. Psychological law of consumption states that the value of MPC is lies between zero and  
(A) 1 (B) 2  
(C) 3 (D) 4
77. Net investment is also known as  
(A) Depreciation (B) Induced investment  
(C) Autonomous investment (D) Capital formation
78. In the saving function  $S = -a + (1-b)Y$ , the term 'b' denotes  
(A) Saving (B) MPC  
(C) MPS (D) APS
79. Who propounded Psychological law of consumption  
(A) Adam Smith (B) Ricardo  
(C) Keynes (D) Pigou
80. When  $MPS = 0.2$ , MPC will be  
(A) 0.8 (B) 0.2  
(C) 1.2 (D) 20
81. In the linear consumption function  $C = a + bY$ , coefficient 'a' denotes  
(A) MPC (B) APC  
(C) Autonomous consumption (D) Induced consumption
82. According to Keynes, rising aggregate income is always associated with  
(A) Higher saving rate (B) Higher import  
(C) Lower export (D) Low production
83. When  $MPC = 0.5$ , the value of multiplier is  
(A) 5 (B) 0.5  
(C) 2 (D) 4
84. Who postulated the law Supply creates its own demand  
(A) Keynes (B) J B say  
(C) Marshall (D) Pigou
85. Autonomous investment is  
A. Income inelastic  
B. Instable  
C. Interest elastic  
D. Income elastic



86. MEC for a capital good was found out to be 10% and the market rate of interest is 9%, then the investment is
- A. Not profitable
  - B. Profitable
  - C. Breakeven
  - D. Cannot say
87. In the Keynesian two sector economy,  $AD > AS$ , then
- A.  $S = I$
  - B.  $S > I$
  - C.  $S < I$
  - D.  $S = 0$
88. Value of MPC is
- A.  $> 1$
  - B.  $< 1$
  - C. 0
  - D.  $0 \leq MPC \leq 1$
89. Schedule that expresses relationship between rate of interest and corresponding amount of investment
- A. MEI
  - B. MEC
  - C. Effective Demand
  - D. Aggregate Demand
90. Net investment is
- A. Value of gross minus subsidies
  - B. Investment after providing for depreciation
  - C. Value of gross output before providing for subsidies
  - D. None of the above
91. MEC is directly related to
- A. Prospective yield
  - B. Supply price
  - C. Rate of interest
  - D. All of the above
92. According to Keynes the most important determinant of consumption
- A. Rate of interest
  - B. Saving
  - C. Income
  - D. Investment
93. In the Keynesian two sector economy,  $AD < AS$ , then
- A.  $S = I$
  - B.  $S > I$
  - C.  $S < I$
  - D.  $S = 0$

94. In the equation  $C = 60 + 0.6 Y$ , MPC is
- A. 60
  - B. 0.6
  - C. 0
  - D. 1
95. Keynes assumed the presence of ----- economy for the fundamental law of consumption
- A. Capitalistic
  - B. Socialistic
  - C. Planned
  - D. None of the above
96. According to Keynes the most important determinant of investment
- A. MEC
  - B. Effective demand
  - C. Aggregate demand
  - D. Rate of interest
97. When disposable income rises from Rs 500 to Rs 600 and consumption expenditure changes from Rs 470 to Rs 560, MPC will be equal to
- A. 900
  - B. 100
  - C. 0.9
  - D. 1
98. In a two sector economy, aggregate demand is equal to
- A.  $C+I$
  - B.  $C+S$
  - C.  $S+I$
  - D. All of the above
99. In Keynesian terminology, investment means:
- A. Financial investment
  - B. Real investment
  - C. Induced investment
  - D. None of the above
100. Rate of change in savings to change in income:
- A. APS
  - B. APC
  - C. MPS
  - D. MPC
101. Keynesian economics is also known as:
- A. Supply side economics
  - B. Monetary economics
  - C. Rational expectations
  - D. Depression economics

102. Which of the following can cause shifts in consumption function:
- A. Psychological attitude
  - B. Social practices
  - C. Business motives
  - D. Changes in price level
103. APC is determined by the following equation:
- A.  $C/Y$
  - B.  $S/Y$
  - C.  $\Delta C/\Delta Y$
  - D.  $\Delta S/\Delta Y$
104. In the Keynesian two sector model, when  $AD = AS$ , then:
- A.  $S < I$
  - B.  $S > I$
  - C.  $S = I$
  - D.  $I = 0$
105. Which of the following is not correct:
- A. MPC declines as income increases
  - B. MPC is positive but less than one
  - C. MPS is always positive
  - D. All the above
106. According to Keynes, saving is:
- A. Private virtue but not social virtue
  - B. Private and social virtue
  - C. Is neither private virtue nor social virtue
  - D. Is either social virtue or private virtue
107. MEC is inversely related to:
- A. Prospective yield
  - B. Supply price
  - C. Investment
  - D. Rate of interest
108. Keynes considered subjective and objective factors:
- A. Important determinants of consumption
  - B. Unimportant determinants of consumption
  - C. Determinants of investment
  - D. Determinants of business's willingness to pay
109. The sum of marginal propensity to consume plus marginal propensity to save must equal to:
- A. 0
  - B. 1
  - C. 100
  - D. 1000

110. Keynesian economics is:
- A. Macro
  - B. Micro
  - C. Both
  - D. None
111. The MEC increases when:
- A. Capital stock increases
  - B. Capital stock decreases
  - C. Capital remains constant
  - D. None of the above
112. Which of the following is correct?
- A.  $1 + \text{MPS} = \text{MPC}$
  - B.  $1 - \text{MPC} = \text{MPS}$
  - C.  $\text{MPC} + \text{MPS} > 1$
  - D.  $\text{MPC} + \text{MPS} < 1$
113. Starting point of Keynesian economics is:
- A. Effective demand
  - B. Individual demand
  - C. Aggregate demand
  - D. Market demand
114. Keynesian three sector model consist of:
- A. Business sector, service sector, external sector
  - B. Households, business, government
  - C. Government sector, open sector, service sector
  - D. Government sector, private sector, open sector
115. A substantial increase in the rate of interest can cause:
- A. Increase in savings
  - B. Reduce propensity to consume
  - C. All the above
  - D. None of the above
116. Functional relationship between saving and disposable income is:
- A. Saving function
  - B. Income function
  - C. Consumption function
  - D. Investment function
117. As the value of MPC increases, the value of multiplier:
- A. Decreases
  - B. Increases
  - C. Constant
  - D. Cannot say

118. Who among the following pioneered the first real estimate of national income?
- A. Adam Smith
  - B. David Ricardo
  - C. William Petty
  - D. None of the above
119. Who argued that national income is simply equal to “net product of agriculture”?
- a. Mercantilists
  - b. Physiocrats
  - C. Classical Economists
  - D. Neo Classical Economists
120. Who argued that “Everything that is produced in the course of a year, every service rendered, every fresh utility brought about is a part of the national wealth.”?
- A. JS Mill
  - B. Stanley Jevons
  - C. Alfred Marshall
  - D. Robert Malthus
121. Who made the first major attempt to estimate national income in a somewhat comprehensive manner?
- A. Robert Fisher
  - B. John Maynard Keynes
  - C. Simon Kuznets
  - D. Arthur Pigou
122. Consumption of capital good in the process of production is called as
- A. Capital Consumption
  - B. Depreciation
  - C. Decay of Capital
  - D. None of the above
123. Which one of the following is roughly equal to national income?
- A. GDP
  - B. NNP
  - C. GNP
  - D. SDP
124. Which one of the following includes ‘income of residents’?
- A. GDP
  - B. NNP
  - C. SDP
  - D. None of the above
125. Remittances made by NRIs to India in the context of national income accounting is called as
- A. Remittance Income
  - B. NRI Income
  - C. Factor Payments
  - D. All of the above

126. Who first introduced the concept of circular flow of income?
- A. William Petty
  - B. Adam Smith
  - C. David Ricardo
  - D. Francois Quesnay
127. Which one in the following is a stock variable?
- A. Income
  - B. Investment
  - C. Capital
  - D. Fiscal Deficit
128. Which one in the following is a flow variable?
- A. Debt
  - B. Wealth
  - C. Unemployment
  - D. GDP
129. Why do not the sale or purchase of used goods are not included in the GDP?
- A. Used goods have only limited life
  - B. Used goods are not fresh production
  - C. Used goods are included in the previous GDP calculations
  - D. All the above
130. Inventories are unsold goods produced by a firm, then why do they are included in GDP?
- A. Inventories represent value
  - B. Inventories add to the stock of the firm
  - C. They are purchases by the firm itself
  - D. All the above
131. The value of 'intermediate goods' are excluded from GDP calculation because:
- A. It will increase the GDP unduly
  - B. It results in multiple counting of same value
  - C. Intermediate goods are not important
  - D. All the above
132. Value added at each stage of production means:
- A. Value of output minus value of input
  - B. Total value added by that stage
  - C. Total value produced at that stage
  - D. All of the above
133. Imputed value of good is added to the GDP because:
- A. They indeed represent value
  - B. There is no market price for that
  - C. They increase consumption
  - D. None of the above

134. GDP Deflator is also called as:
- A. Implicit Cost Deflator
  - B. GDP at Factor Cost
  - C. Implicit Wage Deflator
  - D. Implicit Price Deflator
135. Personal Income includes:
- A. Dividend distributed
  - B. Social insurance contributions
  - C. Corporate profit
  - D. None of the above
136. Disposable Income does not include:
- A. Excise duty paid
  - B. Income tax
  - C. Customs duty paid
  - D. None of the above
137. Investment is reckoned by which method for computing GDP:
- A. Income Method
  - B. Product method
  - C. Expenditure Method
  - D. Value added Method
  - E.
138. Adam Smith, the father of modern economic theory, defined economics as a subject, which is mainly concerned with the study of nature and causes of generation of \_\_\_\_\_
- A. Wealth
  - B. Welfare
  - C. Hipness
  - D. Scarcity
139. \_\_\_\_\_ introduced the concept of welfare in the study of economics:
- A. Fischer
  - B. Alfred Marshall
  - C. J S Mill
  - D. Adam Smith
140. Who defined economics as: a science which studies human behavior as a relationship between ends and scarce means which have alternative uses:
- A. J B Say
  - B. Alfred Marshall
  - C. David Ricardo
  - D. Robbins
141. "Economics is both a science and an art".
- A. True
  - B. False
  - C. None
142. The problem of scarcity and choice making can be depicted using the tool of \_\_\_ curve.
- A. Demand
  - B. Isoquant
  - C. Indifference
  - D. Production possibility

143. Macroeconomics is primarily concerned with aggregates. Which of the following is not a macroeconomic aggregate?
- A. Decision making by a household
  - B. The unemployment rate, and inflation levels
  - C. National income
  - D. The supply of money
144. Scientific attempts to describe economic relationships are :
- A. Factual and can never be wrong
  - B. Accurate ways to predict political viewpoints
  - C. Known as positive economics
  - D. Directed at the fairness of social programs
145. The \_\_\_\_\_ method consists in deriving conclusions from general truths, takes few general principles and applies them draw conclusions.
- A. Inductive
  - B. Deductive
  - C. Empirical
  - D. Scientific
146. \_\_\_\_\_ is a term referring to an intellectual controversy over epistemology, research methodology between Carl Menger, and Gustav von Schmoller.
- A. Methodenstreit
  - B. Laissez-faire
  - C. Ceteris Paribus
  - D. Quid Proquo
147. Inductive method which also called empirical method was adopted by the:
- A. Marginalist school
  - B. Mercantilists
  - C. Physiocrats
  - D. Historical School of Economists
148. Decisions made in households, firms, and government are the focus of:
- A. Positive economic
  - B. Microeconomics
  - C. Normative economics
  - D. Macroeconomics
149. Which of the following statements is normative?
- A. Higher oil prices will increase the inflation rate
  - B. Tax rates on the working poor should be reduced
  - C. Other things equal, if the price of an item is reduced, consumers will tend to buy more of it
  - D. If interest rates remain high this quarter, business investment will continue to be weak



150. Knowledge used to combine resources productively is called:
- A. Comparative advantage
  - B. Capitalism
  - C. Entrepreneurship
  - D. Technology
151. Economic efficiency for the entire economy requires that :
- A. Potential gains to anyone necessitate losses to another
  - B. All goods be produced at their lowest possible opportunity costs
  - C. Maximum-valued output is obtained from given resource
  - D. All of the above
152. Theories are:
- A. Much more complicated than common sense
  - B. Scientific only if based on normative value judgments
  - C. Proven if only a few unimportant exceptions exist
  - D. Developed when we collect data, try to explain how things work, and then test for Validity
153. Division of Labour is limited by the extent of:
- A. Supply
  - B. Demand
  - C. Price
  - D. Market
154. Milton Friedman restated the :
- A. Labour Theory
  - B. Profit Theory
  - C. Quantity Theory of Money
  - D. Wage theory
155. If the value of a variable varies as a consequence of the variation in the value of some other variable, it is called:
- A. Exogenous variable
  - B. Endogenous variable
  - C. Stock
  - D. Flow
156. Saving is a function of:
- A. Export
  - B. Investment
  - C. Improvement in productivity
  - D. Income
157. In the classical theory the equality between saving and investment is brought about by:
- A. Income
  - B. Rate Interest
  - C. Consumption
  - D. None of these

158. Economic Laws are:
- A. Statement of tendencies
  - B. Exact and predictable
  - C. Definite
  - D. None
159. Which of the following concepts are most closely associated with J.M. Keynes?
- A. Control of the money supply
  - B. Marginal utility theory
  - C. Indifference curve analysis
  - D. Marginal efficiency of capital
160. Which of the following is an example of economic overhead?
- A. Schools
  - B. Roads and Railways
  - C. Sanitary facilities
  - D. Hospitals
161. Three methods of computing the national income are:
- A. Savings, investment and income methods
  - B. Outlay, depreciation and production methods,
  - C. Production, outlay and income methods,
  - D. Revenue, consumption and production methods
162. The difference between GNP at Factor Cost and NNP at Factor Cost is:
- A. Imports
  - B. Depreciation
  - C. Taxes on Agriculture
  - D. Net income from abroad
163. An equilibrium which holds a particular position over-time is:
- A. General Equilibrium
  - B. Unstable equilibrium
  - C. Stable equilibrium
  - D. Partial equilibrium
164. National income is a:
- A. Cross section analysis
  - B. Flow concept
  - C. Stock concept
  - D. None
165. The services of a house wife are:
- A. Not part of Production
  - B. A part of production
  - C. A part of consumption
  - D. Not a part of consumption

166. Inflation can not be caused by:
- A. Cost push factor
  - B. Excessive money supply
  - C. Excessive production
  - D. Demand pull factors
167. By representing amounts of proceeds by all entrepreneurs along the Y axis and volumes of employment along the X-axis, we can draw-----curves.
- A. Employment
  - B. Consumption and Savings
  - C. Revenue and employment
  - D. Aggregate supply and demand
168. "Effective demand is different from aggregate demand". This statement is:
- A. True
  - B. False
  - C. Baseless
  - D. None of these
169. If  $MPC = 4/5$ , then value of the multiplier is:
- A. 20
  - B. 5
  - C. 0.80
  - D. 1.25
170. In the Cambridge equation of  $M = KPR$ , the value of "K" is:
- A. "V" in the Fisher's Equation
  - B.  $1/V$
  - C.  $M/V$
  - D. None of these
171. Who had a different macro theory than the rest?
- A. Adam Smith
  - B. David Ricardo
  - C. Malthus
  - D. J.B.Say
172. "Mr. Keynes and the Classics" is the title of the famous paper by :
- A. Hansen
  - B. Hicks
  - C. Harrod
  - D. Haberler
173. Which of the following is not a flow variable:
- A. Income
  - B. Wealth
  - C. Saving
  - D. Investment
174. The quantity theory of money is primarily a theory of demand for money is stated by:
- A. Marshall
  - B. Fisher
  - C. Keynes
  - D. Friedman
175. When MPC is 0.5, the value of multiplier is:
- A. 5
  - B. 0.5
  - C. 2
  - D. 4
176. In Classical theory, the equality between saving and investment is brought about by:
- A. Income
  - B. Rate of interest
  - C. Consumption
  - D. Multiplier.

177. Which one of the following is not correct:
- A. MPC declines as income increases
  - B. MPC is positive but less than one
  - C. MPS is always positive
  - D. MPS declines as income increases
178. Marginal propensity to consume means:
- A. Inclination to conspicuous consumption
  - B. Low income group spending more
  - C. Rate of income spend on consumption
  - D. The rate of extra income that will be spent on consumption
179. Human capital formation refers to:
- A. The process of increasing the number of people
  - B. The process of physical growth of capital
  - C. The process of increasing knowledge, skills and capacities of all people
  - D. The process of providing more facilities to the people
180. According to Keynesian analysis, consumption is a function of:
- A. Permanent income
  - B. Current income
  - C. Estimated lifetime income
  - D. Previous income.
181. If in an economy, out of every additional Rs.100 of national income, Rs.20 is taxed, Rs.20 is saved, and Rs.10 is spent on imports, then the value of multiplier is:
- A. 2
  - B. 2.5
  - C. 3.3
  - D. 5
182. Which of the following equation is wrong?
- A. National Income = Effective demand
  - B. National Income = GNP
  - C. National Income = C + I
  - D. National Income = C + S
183. The essential condition to act as money is:
- A. It is homogeneous
  - B. It is legal tender
  - C. It is backed by gold
  - D. It is generally acceptable
184. Which of the following is not a component of Income method to GNP?
- A. Wages and salaries
  - B. Interest
  - C. Depreciation
  - D. Net foreign investment
185. The marginal propensity to save is defined as:
- A.  $1 - \Delta C / \Delta Y$
  - B.  $S/Y$
  - C.  $Y/S$
  - D.  $Y/\Delta S$
186. -----is associated with the theory of multiplier:
- A. Adam Smith
  - B. Malthus
  - C. Malthus
  - D. Keynes

187. The MPC has a value:
- A. Greater than one but less than two
  - B. Less than one but greater than zero
  - C. Greater than two
  - D. None of these
188. Which of the following is not a stock variable:
- A. Vapital
  - B. Wealth
  - C. Money supply
  - D. Saving
189. An official reduction in the value of home currency in terms of foreign currency is known as:
- A. Revaluation
  - B. Devaluation
  - C. Depreciation
  - D. Appreciation
190. The value of investment multiplier depends on:
- A. APC
  - B. APS
  - C. MPC
  - D. MPS
191. Wage cut as a solution of unemployment in classical theory is suggested by:
- A. J.B. Say
  - B. A.C. Pigou
  - C. Keynes
  - D. Marshall
192. The word macro was first used in Economics by:
- A. Keynes
  - B. Ragner Frisch
  - C. J.R. Hicks
  - D. J.B. Say
193. Personal Disposable income is:
- A. Always equal to personal income
  - B. Always more than personal income
  - C. Equal to personal income minus direct taxes
  - D. Equal to personal income minus indirect taxes
194. When the method of Statics is called upon to study a changing process, it is referred to as the method of:
- A. Statics
  - B. Dynamics
  - C. Comparative statics
  - D. None of these
195. In Classical theory of employment, there is the possibility of:
- A. No unemployment
  - B. Voluntary unemployment
  - C. Disguised unemployment
  - D. Involuntary unemployment
196. Leakages are the factors which:
- A. Keep the power of multiplier stable
  - B. Increase the power of multiplier
  - C. Reduce the power of multiplier
  - D. Reduce the power multiplier to zero.
197. The phenomenon of increase in money wages that leads to increases in unemployment is shown by:
- A. Speculative demand curve
  - B. Phillip's curve
  - C. Aggregate supply
  - D. Income consumption curve

198. Which of the following is Keynesian saving function?  
A.  $S = f(i)$   
B.  $S = f(P)$   
C.  $S = f(Y)$   
D.  $S = f(W)$
199. Usually an IS curve is a -----line.  
A. Vertical  
B. Downward Slopping  
C. Horizontal  
D. Upward slopping
200. When consumption and income are equal, saving is -----  
A. Negative  
B. Positive  
C. Zero  
D. Increasing
201. When of the following is correct:  
A.  $1/MPS =$  value of the multiplier  
B.  $1/MPS =$  Accelerator co-efficient  
C.  $1/MPS = MEC$   
D. None of these
202. “Treatise on money’ is a book written by:  
A. Pigou  
B. Marshall  
C. Robertson  
D. Keynes
203. Value of money:  
A. Is inversely related to the price level  
B. Is directly related to the price level  
C. Is independent of the price level  
D. None of these
204. The major primary function of money in modern Economics is to serve as:  
A. A store of value  
B. A medium of exchange  
C. A transfer of value  
D. A standard for deferred payments
205.  $1 - C/Y$  is defined as:  
A. Average propensity to consume  
B. Marginal propensity to consume  
C. Average propensity to save  
D. Marginal propensity to save
206. The “General Theory” of Keynes was published in the year:  
A. 1936  
B. 1776  
C. 1930  
D. 1911
207. Say’s Law of market says:  
A. Demand creates supply  
B. Supply creates demand  
C. Income generates demand  
D. Savings create demand in the market.

**ANSWER KEY**

Question No.	Answer Key	Question No.	Answer Key	Question No.	Answer Key	Question No.	Answer Key	Question No.	Answer Key
1	D	51	B	101	D	151	D	201	A
2	B	52	A	102	D	152	D	202	D
3	A	53	B	103	A	153	D	203	A
4	B	54	B	104	C	154	C	204	B
5	D	55	B	105	C	155	A	205	C
6	A	56	A	106	A	156	D	206	A
7	D	57	B	107	A	157	B	207	B
8	A	58	B	108	B	158	A		
9	D	59	C	109	B	159	D		
10	B	60	C	110	A	160	B		
11	D	61	D	111	B	161	C		
12	A	62	A	112	B	162	D		
13	D	63	A	113	A	163	C		
14	A	64	B	114	B	164	B		
15	A	65	B	115	C	165	A		
16	B	66	B	116	A	166	C		
17	B	67	B	117	B	167	A		
18	B	68	D	118	C	168	A		
19	A	69	D	119	B	169	B		
20	D	70	C	120	C	170	B		
21	D	71	A	121	C	171	C		
22	D	72	B	122	B	172	B		
23	B	73	C	123	B	173	B		
24	B	74	A	124	B	174	D		
25	A	75	C	125	C	175	C		
26	C	76	A	126	D	176	B		
27	D	77	D	127	C	177	C		
28	A	78	B	128	D	178	D		

**School of Distance Education**

29	B	79	C	129	C	179	C		
30	D	80	A	130	C	180	B		
31	A	81	C	131	B	181	A		
32	B	82	A	132	A	182	A		
33	B	83	C	133	B	183	D		
34	B	84	B	134	D	184	C		
35	B	85	A	135	A	185	A		
36	A	86	B	136	B	186	D		
37	B	87	C	137	C	187	B		
38	A	88	D	138	A	188	D		
39	C	89	A	139	B	189	B		
40	A	90	B	140	D	190	C		
41	A	91	A	141	A	191	B		
42	A	92	C	142	D	192	B		
43	B	93	B	143	A	193	C		
44	A	94	B	144	C	194	B		
45	A	95	A	145	B	195	B		
46	A	96	A	146	A	196	C		
47	A	97	C	147	D	197	B		
48	B	98	A	148	C	198	C		
49	C	99	B	149	B	199	B		
50	C	100	C	150	D	200	C		

©  
Reserved