**CBCS**

**IV SEMESTER;**

 **DEPARTMENT OF ECONOMICS;**

**OBJECTIVES**

 **NAME OF THE PAPER: MACROECONOMICS -II**

 PAPER – IV

SECTION –A

**MULTIPLE CHOICE QUESTIONS (200X1=200)**

**MODULE-I : MONEY**

**A. Choose the correct answer:**

1. The value of money in Fisher’s equation is determined by
2. Demand for money ( )
3. Supply of money ( )
4. Demand and supply of money ( )
5. None of the above ( )
6. According to the Quantity Theory of Money, the value of money depends upon
7. Quantity theory of money in circulation ( )
8. Purchasing power of money ( )
9. Demand for money ( )
10. Price level ( )
11. According to Cambridge equation, the value of money depends upon
12. Demand for money ( )
13. Supply of money ( )
14. Demand for goods and services ( )
15. All of the above ( )
16. The degree of relationship between the demand for and the supply of money in Fisher’s equation will be
17. $supply>demand$ ( )
18. $supply=demand$ ()
19. $supply<demand$ ( )
20. None of the above ( )
21. Which is not the function of money
22. Make demand and supply equal ()
23. Store of value ( )
24. Medium of exchange ( )
25. Measure of value ( )
26. High-powered money is also known as
27. Base money ( )
28. Reserve money ( )
29. Narrow money ( )
30. All of the above ()
31. Who stated, “Bad money drives good money out of circulation, when both of them are full legal tender”?
32. Irving Fisher ( )
33. Milton Friedman ( )
34. J.M. Keynes ( )
35. Thomas Gresham ( )
36. Value of money is
37. Directly related to the price level ( )
38. Inversely related to the price level ( )
39. Proportionately related to the price level ( )
40. All the above ( )
41. Who stated, “Money is what money does”?
42. Milton Friedman ( )
43. Walker ( )
44. Irving Fisher ( )
45. Thomas Gresham ( )
46. Fisher’s cash transaction equation is expressed as
47. $P=\frac{MV}{T}$ ()
48. $K=\frac{M}{PT}$ ( )
49. $V=\frac{I}{K}$ ( )
50. $P=\frac{M}{KT}$ ( )
51. Barter system means
52. Purchase of commodity with money ( )
53. Sale of commodity with money ( )
54. Purchase and sale of commodity with commodity ( )
55. None of the above ( )
56. Which among the following is considered to be the most liquid asset?
57. Gold ( )
58. Money ( )
59. Land ( )
60. Treasury bonds ( )
61. Currency notes and coins are called as:
62. flat money ( )
63. legal tenders ( )
64. Fiat money ( )
65. Both (b) and (c ) ($√$)
66. Convertible money means
67. It can buy goods ( )
68. Government can give gold against it ( )
69. Illegal money ( )
70. Low value of money ( )
71. Barter system has the defect of
72. Goods exchanged are of inferior quality ( )
73. Goods cannot be exchanged for services ( )
74. Lack of common measure of value ( )
75. None of the above ( )
76. Legal money is called so because
77. The buyer must pay in that money ( )
78. Can be converted into gold ( )
79. Sellers do not accept any other money ( )
80. It is official medium of exchange ( )
81. The most important feature of money is
82. General acceptability ( )
83. Convertibility into gold ( )
84. Store of value ( )
85. Medium of exchange ( )
86. Which property the paper money does not possess:
87. acceptability ( )
88. Divisibility ( )
89. Durability ( )
90. Portability ( )
91. In the equation $MV=PY, V represents$
92. Value of money ( )
93. Velocity of circulation of money ( )
94. Variation of national income ( )
95. All of the above ( )
96. In the equation $MV=PY, M represents$
97. Money supply ( )
98. Money demand ( )
99. Maximum output ( )
100. Minimum output ( )
101. According to Keynes, motives for holding money are
102. Two ( )
103. Three ( )
104. Four ( )
105. Five ( )
106. Under normal circumstances, the velocity of circulation of money in a country is
107. 100 % ( )
108. Negative ( )
109. Less than 10 ( )
110. Zero ( )
111. Paper money is called fiat money because
112. It is issued with authority of government ( )
113. It is convertible into gold ( )
114. It can be easily printed ( )
115. It is light weight ( )
116. Value of money means
117. Gold purchased by money ( )
118. General Purchasing power of money ( )
119. Importance of money ( )
120. Demand for money ( )
121. If the quantity of money increases 100%, other things remaining constant, value of money changes by
122. Increases by 100 % ( )
123. Decreases by 100 % ( )
124. Decreases by 200% ( )
125. Does not change ( )
126. Value of money and supply of money are related
127. Inversely ( )
128. Directly ( )
129. Are not related ( )
130. None of the above ( )
131. The quantity demanded of money rises
132. As the interest rises ( )
133. As the interest falls ( )
134. As the supply of money falls ( )
135. As the numberof banks rises ( )
136. Equation of exchange is associated with
137. Pigou ( )
138. J.B.Say ( )
139. Marshall ( )
140. Irving Fisher ( )
141. Equation of exchange is converted into the quantity theory of money by assuming the following variables as constants
142. V and T ( )
143. M and V ( )
144. M and P ( )
145. V and P ( )
146. Fisher equation of exchange states that
147. P varies directly with income ( )
148. P varies directly with M ( )
149. P and M are constants ( )
150. None of the above ( )
151. In the Fisher’s extended equation of exchange MIVI represents
152. Credit money ( )
153. Primary money ( )
154. Both primary and credit money ( )
155. General Price level ( )
156. In Fisher’s transaction velocity model, which one of the following is not an assumption
157. Velocity of circulation of money is constant ( )
158. The volume of transaction is constant ( )
159. Full employment ( )
160. P is considered as an active factor ( )
161. The cash balance equation $M=KPY$ was given by
162. Keynes ( )
163. Pigou ( )
164. Robertson ( )
165. Marshall ( )
166. Robertson’s version of the Cambridge equation is
167. $P=\frac{M}{KT}$ ()
168. $P=\frac{KR}{M}$ ( )
169. $MV=PT$ ( )
170. $M=\frac{KP}{Y}$ ( )
171. Pigou’s version of Cambridge equation is
172. $P=\frac{M}{KT}$ ( )
173. $P=\frac{KR}{M}$ ()
174. $MV=PT$ ( )
175. $M=\frac{KP}{Y}$ ( )
176. The quantity theory of money was restated by
177. Alfred Marshall ( )
178. Milton Friedman ( )
179. Irving Fisher ( )
180. JM. Keynes ( )
181. Fisher’s equation of exchange considers money as
182. A medium of exchange ( )
183. A store of value ( )
184. Measures of value ( )
185. All of the above ( )
186. Robertson’s equation of exchange considers money as

(a)A medium of exchange ( )

(b)A store of value ( )

(c)Measures of value ( )

(d) All of the above ( )

1. The number of times a unit of money exchanges hands during a unit period of time is known as
2. Velocity of the circulation of money ( )
3. Speed of circulation of money ( )
4. Momentum of circulation of money ( )
5. Count of circulation of money ( )
6. In India, coins are minted at four places, which among the following is one of them
7. New Delhi ( )
8. Chennai ( )
9. Hyderabad ( )
10. All of them ( )

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| **ANSWER KEY** **(UNIT-I)** |
| **Question No.** | **Answer Key** |
| 1. | C |
| 2. | A |
| 3. | A |
| 4. | B |
| 5. | A |
| 6. | D |
| 7. | D |
| 8. | B |
| 9. | B |
| 10. | A |
| 11. | C |
| 12. | B |
| 13. | D |
| 14. | B |
| 15. | C |
| 16. | D |
| 17. | A |
| 18. | C |
| 19. | B |
| 20. | A |
| 21. | B |
| 22. | C |
| 23. | A |
| 24. | B |
| 25. | B |
| 26. | A |
| 27. | B |
| 28. | D |
| 29. | A |
| 30. | B |
| 31. | A |
| 32. | D |
| 33. | D |
| 34. | A |
| 35. | B |
| 36. | B |
| 37. | A |
| 38. | B |
| 39. | A |
| 40. | C |

**B. FILL IN THE BLANKS**

1. Cash -Balance approach is also known as \_\_\_\_\_\_\_
2. “Bad money drives good money out of circulation when both of them are\_\_\_\_\_\_\_\_\_\_\_”.
3. Paper currency standard is also referred to as­­­­­­­­­­­­­­­­­­­­\_\_\_\_\_\_\_\_\_\_\_*.*
4. The proportion of real income which the people desire to hold in the form of money is called\_\_\_\_\_\_\_*.*
5. The cash transaction equation in the present form has been formulated by\_\_\_\_\_\_\_\_\_.
6. When standard money or coins are madeof only one metal, it is referred to \_\_\_\_\_\_\_\_*.*
7. When two kinds of metals are used for minting standard coins, it is called *\_\_\_\_\_\_\_\_\_\_.*
8. If mix metals are adopted in the coinage system meant for standard money, it is referred to as \_\_\_\_\_\_\_\_\_\_.
9. The type of standard money used in a monetary system is referred to as *\_\_\_\_\_\_\_\_\_.*
10. In Cambridge equation, the value of money depends upon\_\_\_\_\_\_\_\_\_
11. Fisher’s equation assumes *\_\_\_\_\_\_\_\_\_\_\_\_\_*
12. Fisher’s equation considers a period of time which is \_\_\_\_\_\_\_\_\_\_\_\_\_ in nature.
13. If the volume of credit instruments decreases, the supply of money \_\_\_\_\_\_\_\_\_.
14. In Fisher’s equation $'V'$ refers to \_\_\_\_\_\_\_\_\_\_.
15. If the velocity of circulation of money increases, the supply of money will\_\_\_\_\_\_\_\_\_\_.
16. ‘K’ in Cambridge equation symbolizes a function of \_\_\_\_\_\_\_.
17. The value of money varies \_\_\_\_\_\_\_\_\_\_with the purchasing power of money.
18. The value of money varies \_\_\_\_\_\_\_\_\_with the price level.
19. In Fisherian equation, ‘P’ refers to the price level of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
20. \_\_\_\_\_\_\_\_\_ is the sum of commercial bank reserves and currency (notes and coins) held by the public.

**Answers to Fill in the Blanks:**

1. *The Demand Theory of Money*
2. *legal tender”.*
3. *managed currency standard.*
4. *cash balance.*
5. *Fisher.*
6. *monometallism.*
7. *bimetallism.*
8. *symmetallism.*
9. *monetary standard.*
10. *demand for money*
11. *full employment.*
12. *long period in nature.*
13. *decreases.*
14. *a period of time.*
15. *increase.*
16. *time.*
17. *directly*
18. *inversely*
19. *both final and intermediate goods.*
20. *High–powered money*

**MODULE-II: BANKING**

1. **Choose the correct answer:**
2. Which of the following is a qualitative or selective method of credit control by the central bank?
3. Bank rate or Discount Rate Policy ( )
4. Open market operations ( )
5. Cash Reserve Ratio ( )
6. None of the above ( )
7. In what way the Central Bank serves as a Banker’s Bank?
8. By maintaining gold reserve ( )
9. By controlling currency ( )
10. By acting as a lender of the last resort ()
11. By reducing the interest rates ( )
12. Which of the following is not a function of commercial bank?
13. Accepting deposits ( )
14. Creating credits ( )
15. Printing bank notes ()
16. None of the above ( )
17. Reserve Bank of India(RBI) was established on
18. 1st April,1925 ( )
19. 1st April 1935 ()
20. 1st April 1945 ( )
21. 1st April 1955 ( )
22. Primary deposit in a commercial bank is called
23. Active deposit ( )
24. Passive deposit ()
25. Derivative deposit ( )
26. All of the above ( )
27. Derivative deposit in a commercial bank is also called
28. Active deposit ( )
29. Passive deposit ( )
30. Primary deposit ( )
31. None of the above ( )
32. Bank rate is
33. The rate of interest charged by banks on their loans ( )
34. The rate of interest paid by banks on deposits ( )
35. Official discount rate at which the Central Bank rediscount approved bills of the commercial banks ()
36. The interest paid by commercial banks to their beneficiaries ( )
37. Which of the following is not a function of Central Bank?
38. Enjoys monopoly of note issue ()
39. Acts as the banker’s bank ( )
40. Creation of credit ( )
41. Lender of the last resort ( )
42. Which of the following is a qualitative method of credit control of a central bank?
43. Bank rate ( )
44. Open market operation ( )
45. Rationing of Credit ()
46. All of the above ( )
47. If the central bank wants to control credit, it should
48. Lower the rediscount rate ( )
49. Raise the bank rate ()
50. Buy securities in the open market ( )
51. Raise cash reserve ratio ( )
52. Which of the following is a selective credit instrument?
53. variable reserve ratio ( )
54. credit rationing ()
55. Bank rate ( )
56. All of the above ( )
57. When the Central Bank intends to expand the credit, it should
58. Raise the margin requirements ( )
59. Raise the variable reserve ratio ( )
60. Lower the bank rate ( )
61. Purchase government securities in the open market ()
62. Open Market Operation is
63. Buying and selling of government securities ()
64. Sale of government securities ( )
65. Buying and selling of government cheques ( )
66. All of the above ( )
67. Open market operation will become successful if there is a
68. free-market economy ( )
69. developing economy ( )
70. well-developed bill and security market ()
71. All of the above ( )
72. Which of the following is not an instrument of selective credit control?
73. Margin requirements ( )
74. Open market operation ()
75. Credit rationing ( )
76. None of the above ( )
77. Bank rate policy is not very effective because-
78. It requires a well-developed money market ()
79. It cannot operate effectively ( )
80. All banks are not under the control of central bank ( )
81. All the above ( )
82. Which of the following is not a quantitative method of credit control
83. Bank arte ( )
84. Open market operation ( )
85. Variable reserve ratio ( )
86. Regulation of consumer credit ( )
87. To what extent the central bank is the lender of the last resort?
88. As it lends to the government ( )
89. As it provides finance to agriculture ( )
90. As it is the ultimate source of credit in times of crisis ( )
91. As it controls the money supply in the economy ( )
92. Variable reserve ratio refers to-
93. The ratio which the commercial banks are required to maintain with the central bank ( )
94. The ratio at which the central bank rediscounts first class bills ( )
95. The purchase and sale by the central bank to government securities in the money market ( )
96. All of the above ( )
97. The term bank liquidity implies
98. Management of cash ( )
99. Creation of credit ( )
100. The capacity of the bank to give cash on demand in exchange ( )
101. All of the above ( )
102. What is known as the most profitable asset of a commercial bank?
103. Investment at call and short-notice ( )
104. Loans and advances to its customers ()
105. Accepting deposits ( )
106. None of the above ( )
107. The fundamental function of a commercial bank is
108. Acceptance of deposits ( )
109. Advancing loans ()
110. Issuing bank draft ( )
111. Creating credit ( )
112. Which of the following is not a function of commercial bank?
113. Accepting deposits ( )
114. Advancing loans ( )
115. Creating credit ( )
116. Printing bank notes ( )
117. Loans and investment of a commercial bank constitute its
118. Derivative deposits ( )
119. Primary deposits ( )
120. Secondary deposits ( )
121. All of the above ( )
122. Bank’s liquidity means
123. Its capacity to create credit ( )
124. Its capacity to provide a high rate of interest ( )
125. Its capacity to supply finance ( )
126. Its capacity to convert its assets into cash ( )
127. A bank’s capacity to create credit is limited by the
128. Size of cash ( )
129. Size of its area ( )
130. Size of the central bank ( )
131. All of the above ( )
132. A bank can increase the supply of money by
133. printing notes ( )
134. Creating credit ( )
135. Issuing cheques ( )
136. None of the above ( )
137. Which of the following public sector banks has the highest number of branches in India?
138. State Bank of India ( )
139. Allahabad Bank ( )
140. Bank of India ( )
141. Punjab National Bank ( )
142. Derivative deposits are created during the time of –
143. Accepting demand deposits ( )
144. Accepting drafts ( )
145. Making loans to the customers ( )
146. All of the above ( )
147. The securities and bonds which a commercial banks holds is also known as
148. Cash reserve ratio ( )
149. Derivative deposits of the banks ( )
150. Secondary deposits of the bank ( )
151. All of the above ( )
152. Which is known as the most profitable asset of the bank?
153. loans and advance to its customers ( )
154. the investment in government securities ( )
155. life insurance policies of the staff ( )
156. None of the above ( )
157. The derivative deposit created by a bank results in-
158. a decrease in the total stock of money ( )
159. an increase in the total stock of money ( )
160. an increase in government securities ( )
161. none of the above ( )
162. What is Currency Deposit Ratio (CDR)?
163. Ratio of money held by the public in currency to that of money

held in bank deposits ( )

1. Ratio of money held by the public in bank deposits to that of money

held by public in currency ( )

1. Ratio of money held in demand drafts to that of money

held in treasury bonds ( )

1. None of the above ( )

1. What is the Reserve Deposit Ratio ?
2. The proportion of money RBI lends to commercial banks ( )
3. The proportion of total deposits commercial banks keep as reserves ( )
4. The total proportion of money that commercial banks lend to the customers ( )
5. None of the above ( )
6. Which among the following is called the rate of interest charged by RBI for lending money to various commercial banks by rediscounting of the bills in India?
7. Bank rate ( )
8. Discount window ( )
9. Monetary Policy ( )
10. Overnight rate ( )
11. What method is used by the Bank to read code on cheque?
12. MICR ( )
13. OCR ( )
14. OMR ( )
15. None of the above ( )
16. Which is the largest private sector bank in India?
17. ICICI ( )
18. Axis Bank ( )
19. HDFC ()
20. ICICI ( )
21. Who was the first Indian to become Governor of Reserve Bank of India(RBI)?
22. Liaquant Ali Khan ( )
23. T.T. Krishnamachari ( )
24. John Mathai ( )
25. C.D. Deshmukh ( )
26. In July 1969, 14 major Indian Scheduled Banks were nationalized and 6 more banks were nationalized in
27. April 1980 ( )
28. May 1980 ( )
29. April 1981 ( )
30. May 1981 ( )
31. Which is the largest private sector bank in India?
32. Axis Bank ( )
33. ICICI Bank ( )
34. HDFC Bank ( )
35. South Indian Bank ( )

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| **ANSWER KEY** **(UNIT-II)** |
| **Question No.** | **Answer Key** |
| 1. | D |
| 2. | C |
| 3. | C |
| 4. | B |
| 5. | B |
| 6. | A |
| 7. | C |
| 8. | A |
| 9. | C |
| 10. | B |
| 11. | B |
| 12. | D |
| 13. | A |
| 14. | C |
| 15. | B |
| 16. | A |
| 17. | D |
| 18. | C |
| 19. | A |
| 20. | C |
| 21. | B |
| 22. | B |
| 23. | D |
| 24. | A |
| 25. | D |
| 26. | A |
| 27. | B |
| 28. | A |
| 29. | C |
| 30. | C |
| 31. | A |
| 32. | B |
| 33. | A |
| 34. | B |
| 35. | A |
| 36. | A |
| 37. | C |
| 38. | D |
| 39. | A |
| 40. | B |

1. **FILL IN THE BLANKS**
2. *\_\_\_\_\_\_\_\_\_\_\_*is the Central Bank in India
3. The banking Regulation Act was passed in *\_\_\_\_\_\_*.
4. *\_\_\_\_\_\_\_\_\_\_\_*is the first Bank to introduce ATM in India.
5. The full form of CRR is *\_\_\_\_\_\_\_\_\_\_\_.*
6. The full form of NDTL is\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*.*
7. “Basel Committee on Banking Supervision” is also known as *\_\_\_\_\_\_\_\_\_\_\_.*
8. The full form of CVV is *\_\_\_\_\_\_\_\_\_\_.*
9. Deposits which arise from granting of loans are *\_\_\_\_\_\_.*
10. Reserve Bank of India was nationalised on *\_\_\_\_\_\_\_\_\_.*
11. The largest foreign Bank in India is *\_\_\_\_\_\_\_\_\_\_\_\_\_.*
12. Primary deposit in a commercial bank is called \_\_\_\_\_\_\_\_\_\_\_\_
13. Derivative deposit in a commercial bank is also called \_\_\_\_\_\_\_\_\_\_\_\_
14. The institution which is legally empowered to issue currency notes is\_\_\_\_\_\_\_\_\_\_
15. The buying , selling of treasury bills and other securities by Reserve Bank of India(RBI) is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_
16. The percentage of demand and time liabilities that banks have to keep with RBI is \_\_\_\_\_\_\_\_
17. The rate at which Reserve Bank of India(RBI) lends money to commercial banks in the event of any shortfall of funds is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_.
18. The amount a bank needs to maintain in the form of cash,gold and other securities before giving credit is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
19. In India, a one rupee currency note bears the signature of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
20. Indian currency notes bear the signature of \_\_\_\_\_\_\_\_\_\_\_\_\_\_.
21. Initial repayment holiday given to a borrower for repayment of loan is called \_\_\_\_\_\_.

**Answers to Fill in the Blanks:**

1. *Reserve Bank of India*
2. *1949*.
3. *Hongkong and Shanghai Banking Corporation (HSBC*)
4. *Cash Reserve Ratio.*
5. *Net Demand & Time Liabilities*
6. *Bank for International Settlements Committee.*
7. *Card Verification Value*
8. *derivative deposits.*
9. *1st January,1949*
10. *Standard Chartered Bank*
11. *passive deposit*
12. *active deposit*
13. *Central bank*
14. *open market operation*
15. *Cash Reserve Ratio*
16. *repo rate.*
17. *Statutory Liquidity Ratio.*
18. *Finance Secretary.*
19. *RBI Governor.*
20. *moratorium.*

**MODULE-III: TRADE CYCLES**

1. **Choose the correct answer**
2. The term business cycle refers to
3. Fluctuations in aggregate economic activity over time ( )
4. Ups and down in the production of goods ( )
5. Increasing unemployment ( )
6. Declining savings ( )
7. Which one of the following is not the characteristic of business cycle?
8. They are recurrent ( )
9. They are not at regular intervals ( )
10. They have uniform causes ( )
11. All of the above ( )
12. The turning points of the business cycle are
13. Expansion and peak ( )
14. Peak and Contraction ( )
15. Contraction and Trough ( )
16. Peak and Trough ( )
17. Which of the following is referred to the top or the highest point of business cycle
18. Expansion ( )
19. Peak ()
20. Expansion and Peak ( )
21. None of the above ( )
22. Trade cycles are caused by
23. Fiscal factors ( )
24. Monetary factors ( )
25. Both monetary and non-monetary factors ()
26. None of the above ( )
27. During the phase of recovery
28. Aggregate demand remains constant ( )
29. Aggregate demand increases ()
30. Aggregate demand decreases ( )
31. None of the above ( )
32. Who stated that “Trade Cycle is purely a monetary phenomenon”.
33. Keynes ( )
34. Hawtrey ( )
35. Crowther ( )
36. Hayek ( )
37. According to Hayek’s overinvestment theory of trade cycle, fluctuation of investment occurs when
38. Natural rate of interest is not equal to market rate of interest ( )
39. Natural rate of interest is equal to market rate of interest ( )
40. Natural rate of interest is equal to the rate of inflation ( )
41. None of the above ( )
42. According to Keynes, in order to fight depression, stabilization policy should include
43. High rate of taxation ( )
44. High interest rate ( )
45. Increased public expenditure ( )
46. None of the above ( )
47. According to Keynes, fluctuations in the volumes of investment is due to
48. Fluctuations in the volume of savings ( )
49. Fluctuations in the marginal efficiency of capital ( )
50. Fluctuations in the marginal efficiency of labour ( )
51. None of the above ( )
52. During the phases of recession of a trade cycle
53. Investment, income, employment and demand decline ( )
54. Investment falls but income rises ( )
55. Income, employment and investment rise ( )
56. None of the above ( )
57. During the downward phase of trade cycle, the central bank of the country should
58. Increase the cash reserve ratio ( )
59. Lower-down the cash reserve ratio ()
60. Raise the bank rate ( )
61. None of the above ( )
62. During depression, government expenditure on public works will function as
63. an anti-deflationary tonic ( )
64. a pumb-priming ()
65. compensatory action ( )
66. None of the above ( )
67. To attain long-term economic stability, the government can introduce
68. Compensatory action ()
69. Monetary measures ( )
70. Pumb-priming ( )
71. an anti-deflationary tonic ( )
72. When the cause of business cycles is attributed to some factor outside the economic system, it is called
73. A periodical theory ( )
74. An innovation theory ( )
75. An exogenous theory ()
76. None of the above ( )
77. During the upward swing of the trade cycle, the central bank of the country will
78. Raise the cash reserve ratio ( )
79. Raise the bank rate ()
80. Lower down the cash reserve ratio ( )
81. None of the above ( )
82. Who stated that “a sudden collapse of the marginal efficiency of capital leads to crisis”
83. Keynes ()
84. Hawtrey ( )
85. Hayek ( )
86. Schumpeter ( )

1. The trough of a business cycle is referred to as
2. Expansion ( )
3. Boom ( )
4. Trough ()
5. Peak ( )
6. When aggregate economic activity is increasing, the economy is said to be in
7. An expansion ()
8. A contraction ( )
9. A peak ( )
10. A turning point ( )
11. When aggregate economic activity is declining, the economy is said to be in

(a)An expansion ()

(b)A contraction ()

(c )A peak ( )

(d)A turning point ( )

1. Peaks and troughs of the business cycle are collectively known as
2. Volatility ( )
3. Turning points ()
4. Equilibrium points ( )
5. Real business cycle events ( )
6. Who officially determines whether the economy is in recession or expansion?
7. The President of the United States ( )
8. The U.S Congress ( )
9. The Federal Reserve Board of Governors ( )
10. The National Bureau of Economic Research ()
11. In which way recessions affect the real level ofGDP?
12. Recessions cause only temporary reduction in real level of GDP ( )
13. Recessions cause large, permanent reductions in the real level of GDP ( )
14. Recessions cause both temporary and permanent declines in real level of GDP ()
15. None of the above
16. Cost of living increases when business cycle is
17. Expanding ( )
18. Contracting ( )
19. At peak ()
20. At lowest point ( )
21. All but one are the endogenous factors of business cycle
22. War ()
23. Changes in government spending ( )
24. Money supply ( )
25. Fluctuations in investment ( )
26. Fall in the interest rate is a typical feature of
27. Recovery ( )
28. Boom ( )
29. Depression ()
30. Contraction ( )
31. During depression \_\_\_\_\_\_\_\_\_\_industry suffer from excess production capacity
32. Capital goods ( )
33. Consumer durable goods ( )
34. Non-durable goods ( )
35. Both (a) and (b) ( )
36. The lowest level of economic activity is called
37. Contraction ( )
38. Trough ()
39. Recovery ( )
40. None of them ( )

1. Which of the following is notthe feature of business cycle?
2. Business cycle follow perfectly timed cycle ()
3. Business cycle vary in intensity ( )
4. Business cycle vary in length ( )
5. Aggregate economic activity ( )
6. At the time of Great Depression of 1930s, the global GDP fell by around
7. 12 % ( )
8. 14 % ( )
9. 15 % ()
10. 10 % ( )
11. Which of the following describes best a typical trade cycle?
12. Economic expansions are followed by economic contractions ()
13. Inflation is followed by rising income and employment ( )
14. Economic expansions are followed by economic growth and development ( )
15. Stagflation followed by rising employment ( )
16. During upswing, the unemployment rate and output
17. Rises; falls ()
18. Rises; rises ( )
19. Falls; rises ( )
20. Falls ; falls ( )
21. If any unemployment exists during expansion phase of business cycle, it is
22. Voluntary and frictional ( )
23. Technological and structural ( )
24. Frictional and structural ()
25. Structural and involuntary ( )
26. The most probable outcome of increase in aggregate demand is
27. Expansion of economic activity ()
28. Contraction of economic activity ( )
29. Stable economic activity ( )
30. Volatile economic activity ( )
31. Economic recession is characterized by all of the following except
32. Decline in investment, employment ( )
33. Increase in the price of inputs due to increased demand for inputs ()
34. Investors’ confidence is shaken ( )
35. Demand for goods, service decline ( )
36. Understanding business cycle is important for business managers because
37. They affect the demand for their products ( )
38. They affect their profits ( )
39. To frame appropriate policies and forward planning ( )
40. All of the above ()
41. Which indicators change before the economy itself changes
42. Lagging ( )
43. Coincident ( )
44. Leading ( )
45. Concurrent ( )
46. Which indicators change after the economy as a whole changes
47. Lagging ( )
48. Coincident ( )
49. Leading ( )
50. Concurrent ( )
51. A variable that occur simultaneously with the business cycle movements is
52. Leading indicator ( )
53. Lagging indicator ( )
54. Coincident indicator ()
55. Cyclical indicator ( )
56. The principle of accelerator explains the process by which
57. An increase (or decrease) in the demand for consumption goods leads to an increase (or decrease) in the investment on capital goods ()
58. The ratio between induced investment and an initial change in consumption expenditure ( )
59. An increase (or decrease) in the investment on capital goods leads to an increase (or decrease) in the demand for consumption goods ( )
60. None of the above ( )

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| **ANSWER KEY** **(UNIT-III)** |
| **Question No.** | **Answer Key** |
| 1. | A |
| 2. | C |
| 3. | D |
| 4. | B |
| 5. | C |
| 6. | B |
| 7. | B |
| 8. | A |
| 9. | C |
| 10. | B |
| 11. | A |
| 12. | B |
| 13. | B |
| 14. | A |
| 15. | C |
| 16. | B |
| 17. | A |
| 18. | C |
| 19. | A |
| 20. | B |
| 21. | B |
| 22. | D |
| 23. | C |
| 24. | C |
| 25. | A |
| 26. | C |
| 27. | D |
| 28. | B |
| 29. | A |
| 30. | C |
| 31. | A |
| 32. | A |
| 33. | C |
| 34. | A |
| 35. | B |
| 36. | D |
| 37. | C |
| 38. | A |
| 39. | C |
| 40. | A |

**B. Fill in the blanks**

1. A typical trade cycle is generally divided into \_\_\_\_\_\_\_\_ phases.
2. The concept of accelerator was developed by \_\_\_\_\_\_\_ in \_\_\_\_\_\_\_\_\_\_.
3. Over- investment theory of trade cycle was propounded by \_\_\_\_\_\_\_\_\_\_\_.
4. The trough of a business occurs when *\_\_\_\_\_\_\_\_\_\_\_* hits its lowest point.
5. Involuntary unemployment is almost zero in the \_\_\_\_\_\_\_\_\_\_ phase of business cycle.
6. The economy is said to be overheated at the \_\_\_\_\_phase of business cycle.
7. There is a large scale of involuntary unemployment in the \_\_\_\_\_\_\_ phase of business cycle.
8. Fall in the level of investments, production, employment, stock prices etc., are found during \_\_\_\_\_\_\_\_phase of business cycle.
9. \_\_\_\_\_\_\_\_\_ is the severe form of recession with lowest level of economic activity.
10. Industries that are most adversely affected by business cycles are \_\_\_\_\_\_\_\_\_\_.
11. The central bank adopts a \_\_\_\_\_\_\_in order to control the expansion of money supply during a boom.
12. During depression, the government \_\_\_\_\_\_\_\_\_public expenditure and \_\_\_\_\_taxes .
13. The government should adopt a budget deficit policy during\_\_\_\_\_\_\_.
14. During recession or depression, the central bank should \_\_\_\_\_ the bank rate and interest rates of banks
15. During recession, the central bank should \_\_\_\_\_ securities in the open market.
16. When the economy is in a boom phase, the central bank should \_\_\_\_\_\_ the bank rate.
17. The central bank will raise the cash reserve ratios during a \_\_\_\_\_\_.
18. A prominent economist \_\_\_\_\_\_\_\_ stated that “the right remedy for the trade cycle is not to be found in abolishing booms and thus keeping us permanently in a semi-slump; but in abolishing slumps and thus keeping us permanently in a quasi-boom”.
19. According to Hayek, it is \_\_\_\_\_\_which lead to over-investment in capital goods industries relative to consumer goods industries that ultimately brings depression in the economy.
20. The peak or prosperity may lead the economy to \_\_\_\_\_\_\_and to inflationary rise in prices.

**Answers to Fill in the Blanks:**

1. *Four*
2. *J.M. Clark , 1917*
3. *F.A.Hayek*
4. *aggregate economic activity*
5. *prosperity*
6. *peak*
7. *contraction*
8. *contraction*
9. *Depression*
10. *capital goods and consumer durable goods sectors.*
11. *dear money policy*
12. *increases,reduces .*
13. *depression.*
14. *reduce*
15. *buy*
16. *raises*
17. *boom.*
18. *J.M.Keynes*
19. *bank loans*
20. *over full employment*

**MODULE-4: INFLATION**

1. **Choose the correct answer**
2. Inflation is a situation when
3. Prices of some goods rise ( )
4. General price level rises continuously ()
5. Prices double every year ( )
6. Prices rise and fall ( )
7. An inflation caused by an enhanced wages of labour is
8. Demand-pull inflation ( )
9. Cost-push inflation ()
10. Hyperinflation ( )
11. Stagflation ( )
12. Inflation in under-developed country is basically caused by
13. Mass poverty ( )
14. Less production ( )
15. Lack of technical know-how ( )
16. Market imperfection ()
17. According to Keynes, inflationary gap is caused by
18. excess supply ( )
19. excess demand ( )
20. deficiency of demand ( )
21. deficiency of supply ( )
22. Stagflation implies a situation of
23. High inflation and high unemployment ( )
24. Low unemployment and low inflation ( )
25. High inflation and low unemployment ( )
26. Low inflation and high unemployment ( )
27. Demand- Pull inflation is caused by an
28. Increase in the aggregate effective demand for goods and services ( )
29. Increase in the money incomes of the factors of production ( )
30. Increased investment in the economy ( )
31. All of the above ( )
32. Which of the following is a monetary measure to control inflation in an economy?
33. Increase in money supply ( )
34. Demonetization of currency ()
35. Increase in government expenditure ( )
36. All of the above ( )
37. In Keynesian view, inflation is
38. The rise in the price level after the point of full employment ()
39. A rise in the price level before the point of full employment ( )
40. Too much money chasing too few goods ( )
41. All of the above ( )
42. “Inflation is a state in which the value of money is falling i.e., prices are rising”.Who said this?
43. Hansen ( )
44. Keynes ( )
45. Crowther ()
46. Fisher ( )
47. If inflation is allowed to continue without any check, it is known as
48. Supressed inflation ( )
49. Normal inflation ( )
50. Open inflation ()
51. Deflation ( )
52. When both prices and money income fall, the situation is called
53. Disinflation ( )
54. Recession ( )
55. Deflation ()
56. Anti-inflation ( )
57. Inflation in a developed country usually sets in
58. Before the point of full employment ( )
59. After the point of full employment ()
60. at the point full employment ( )
61. None of the above ( )
62. During inflation, who suffers the most?
63. Wage and salary earners ()
64. Creditors ( )
65. Debtors ( )
66. Businessman ( )
67. When government interrupts price rise, there is
68. Suppressed inflation ()
69. Reflation ( )
70. Open inflation ( )
71. Deflation ( )
72. The phenomenal rise in prices accompanied by increased real income is known as
73. inflation ( )
74. deflation ( )
75. reflation ()
76. None of the above ( )
77. Which of the following measure proves effective in reducing the rate of inflation?
78. Decreased personal consumption ( )
79. Evaluation of currency ( )
80. Increased taxation ()
81. All of the above ( )
82. Inflation can be controlled by applying:
83. Monetary and fiscal policies ()
84. Monetary and labour policy ( )
85. Fiscal and Commercial Policies ( )
86. All of the above ( )
87. During inflation
88. Lenders lose, borrowers gain ()
89. Borrowers lose, lenders gain ( )
90. Borrowers and lenders both lose ( )
91. All sections of the society gain ( )
92. Which people are most likely to gain during inflation?
93. Those living on pension ( )
94. Those living on their savings ( )
95. Those who are repaying borrowed money ()
96. Those who have lent money ( )
97. Inflation leads to
98. Distribution of income equal ( )
99. Distribution of income unequal ()
100. No effect on distribution of income ( )
101. Affects only industrial sector ( )
102. Inflation in an under-developed economy generally sets in
103. Before the point of full employment ()
104. After the point of full employment ( )
105. At the point of full employment level ( )
106. All of the above ( )
107. Which of the following measure is adopted to reduce inflation?
108. Reduction in bank rate ( )
109. Reduction in Repo rate ( )
110. Increase in government expenditure ( )
111. Cuts in government spending ()
112. According to the monetarists, inflation is caused by
113. Supply shocks ( )
114. Expansionary fiscal policies ( )
115. Expansionary monetary policies ()
116. Government regulations ( )
117. Theoretically, one can distinguish a demand- pull inflation from a cost-push inflation by comparing
118. How fast prices rise relative to wages ( )
119. The unemployment rate with its natural rate level ()
120. When prices rise relative to wages ( )
121. None of the above ( )
122. Demand-pull inflation arises when
123. Policymakers set a very high unemployment target ( )
124. A persistent budget deficit is financed by money creation ()
125. The deficit is financed by selling bonds to the public ( )
126. All of the above ( )
127. Government may pursue inflationary monetary policies
128. To promote high employment ( )
129. To accommodate demands of workers for higher wages ( )
130. To finance a persistent budget deficit ( )
131. All of the above ()
132. Governments may end up with a high money growth rate and high inflation as a result of policies designed to
133. Lower unemployment ( )
134. Finance persistent government budget deficits through money creation rather than by issuing bonds ( )
135. Redistribute wealth from debtors to creditors ( )
136. Both ( a) and (b) ()
137. Which of the following is an effect of inflation?
138. Erosion in purchasing power ( )
139. Affects relative price of goods ( )
140. Increase in inequalities of income ( )
141. All of the above ()
142. Which of the following can be undertaken to control inflation?
143. Control on public expenditure ( )
144. Control on hoarding and black-marketing ( )
145. Effective control on credit ( )
146. All of the above ()
147. Which of the following is phenomenon that leads to Hyperinflation?
148. It is a situation when aggregate demand in an economy outpaces aggregate supply( )
149. It is a situation of persistent rise in inflation along with dip in growth and increase in unemployment ( )
150. It is a situation caused by an increase in prices of inputs like labour,

raw material etc ( )

1. It is a situation when a nation experiences very high and accelerating inflation ($√$)
2. Inflationary gap said to exist when
3. Real GDP $>$Potential GDP ()
4. Real GDP $<$Potential GDP ( )
5. Real GDP$=$ Potential GDP ( )
6. Unemployment rate$>$ natural rate of unemployment ( )
7. Phillip’s curve shows the relationship between the rate of
8. Unemployment and output growth ( )
9. unemploymentand increase in money wages ()
10. Employment and inflation ( )
11. All of the above ( )
12. According to Phillips curve unemployment will return to the natural rate when:
13. Nominal wages are equal to expected wages ( )
14. Real wages are back at equilibrium level ()
15. Nominal wages are growing faster than inflation ( )
16. Inflation is higher than the growth of nominal wages ( )
17. An increase in aggregate is more likely to lead to demand pull inflation if:
18. Aggregate supply is perfectly elastic ( )
19. Aggregate supply is perfectly inelastic ( )
20. Aggregate supply is unit inelastic ( )
21. Aggregate supply is relatively inelastic ( )
22. In short-run, unemployment may fall below the natural rate of unemployment if:
23. Nominal wages have risen less than inflation ()
24. Nominal wages have risen at the same rate as inflation ( )
25. Nominal wages have risen more than inflation ( )
26. Nominal wages have risen less than unemployment ( )
27. The effects of inflation on the price competitiveness of a country’s products may be offset by
28. An appreciation of the currency ( )
29. A revaluation of the currency ( )
30. A depreciation of the currency ()
31. None of the above ( )
32. Countries with the highest inflation rates are likely to have
33. The highest rate of money growth ( )
34. Large budget deficits ( )
35. The lowest interest rates ( )
36. Both (a) and (b) ()
37. A one-time increase in the price level is
38. rarely reported by the news media as inflation, but is nevertheless considered to be inflation by economists ( )
39. regularly reported by the news media as inflation, but is not considered to be inflation by economist. ()
40. regularly reported by the news media as inflation because it is considered to be inflation by economists ( )
41. None of the above ( )
42. Which economist proposed that “ Inflation is always and everywhere a monetary phenomenon”
43. JM Keynes ( )
44. J.R.Hicks ( )
45. Milton Friedman ()
46. Franco Modigliani ( )
47. According to monetarists, inflation is caused by
48. Supply shocks ( )
49. Expansionary fiscal policies ( )
50. Expansionary monetary policies ()
51. Rising prices ( )

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| **ANSWER KEY****(UNIT-IV)** |
| **Question No.** | **Answer Key** |
| 1. | B |
| 2. | B |
| 3. | D |
| 4. | B |
| 5. | A |
| 6. | A |
| 7. | B |
| 8. | A |
| 9. | C |
| 10. | C |
| 11. | C |
| 12. | B |
| 13. | A |
| 14. | A |
| 15. | C |
| 16. | C |
| 17. | A |
| 18. | A |
| 19. | C |
| 20. | B |
| 21. | A |
| 22. | D |
| 23. | C |
| 24. | B |
| 25. | B |
| 26. | D |
| 27. | D |
| 28. | D |
| 29. | D |
| 30. | D |
| 31. | A |
| 32. | B |
| 33. | B |
| 34. | B |
| 35. | A |
| 36. | C |
| 37. | D |
| 38. | B |
| 39. | C |
| 40. | C |

1. **Fill in the blanks**
2. A situation in which the value of money decreases is called *\_\_\_\_\_\_\_.*
3. Inflation caused by an increase in the production costs is called *\_\_\_\_\_\_\_\_\_\_\_*.
4. \_\_\_\_\_\_\_\_\_\_\_ is the act of stimulating the economy by increasing the money supply or by reducing taxes, seeking to bring the economy back up to the long-term trend, following a dip in the business cycle
5. The term ‘inflationary gap’ was coined by *\_\_\_\_\_\_\_\_\_.*
6. The situation in which prices rise very fast, it is known as *\_\_\_\_\_\_\_\_\_.*
7. A mild rise in prices is called *\_\_\_\_\_\_\_\_\_*.
8. A situation in which prices rise at high and unpredictable manner is called *\_\_\_\_\_\_\_\_\_\_\_.*
9. Public borrowing should be \_\_\_\_\_\_\_\_\_\_\_during inflation.
10. Hyper- inflation is also known as \_\_\_\_\_\_\_\_\_\_
11. When the potential GDP is higher than the real GDP, the gap is referred to as a \_\_\_\_\_\_\_
12. If inflation is allowed to continue without any check, it is called \_\_\_\_\_\_\_\_\_\_.
13. When the government imposes physical and monetary controls to check open inflation, it is known as \_\_\_\_\_\_\_\_\_\_\_.
14. Phillips curve expresses an\_\_\_\_\_\_\_\_ relationship between the rate of unemployment and the rate of increase in money wages.
15. The inflationary gap can be wiped out by increase in \_\_\_\_\_\_\_\_.
16. Phillips curve is \_\_\_\_\_\_\_ to the origin.
17. \_\_\_\_\_\_\_\_is a situation when prices fall along with reduction in output and employment.
18. \_\_\_\_\_\_\_\_ is a situation when prices are reduced deliberately but output and employment remain unaffected.
19. \_\_\_\_\_\_\_\_\_ isa paradoxical situation where the economy experiences stagnation or unemployment along with a high rate of inflation.
20. When prices rise in response to the rise in demand, it is known as \_\_\_\_\_\_\_\_\_\_.
21. During the time of deflation, government should \_\_\_\_\_\_\_the bank rate.

**Answers to Fill in the Blanks:**

1. *inflation.*
2. *Cost-Push Inflation.*
3. *Reflation*
4. *J.M Keynes*
5. *hyper inflation.*
6. *creeping inflation*
7. *hyper inflation*
8. *increased*
9. *galloping inflation.*
10. *deflationary gap.*
11. *open inflation.*
12. *suppressed inflation.*
13. *inverse*
14. *savings*
15. *convex*
16. *Deflation*
17. *Disinflation*
18. *Stagflation*
19. *demand-pull inflation.*
20. *lower*

**MODULE-5: ECONOMIC GROWTH**

1. **Choose the correct answer:**
2. Which of the following is generally regarded as the true index of economic growth?
3. An increase in national income at constant prices during a year ( )
4. A sustained increase in real per capita income ()
5. An increase in national income at current prices over time ( )
6. An increase in national income along with a corresponding increase in population( )
7. The concept of economic growth is
8. Identical with the concept of economic development ( )
9. Narrower than the concept of economic development ( )
10. Wider as compared to that of economic development ( )
11. Unrelated to the concept of economic development ( )
12. Economic growth is measured as a percentage change in
13. Gross Domestic Product ( )
14. Gross National Product ( )
15. Both (a) and (b) ( )
16. Government expenditure ( )
17. The concept of economic growth is more relevant for
18. Developed countries ()
19. Underdeveloped countries ( )
20. European countries ( )
21. All of the above ( )
22. Which of the following is not an indicator of economic development?
23. Increase in literacy level ( )
24. Low growth of population ( )
25. Low proportion of labour force in the primary section ()
26. Decrease in inequality of income ( )
27. The rate of growth of the economy mainly depends upon
28. The rate of growth of labour force ( )
29. The proportion of national income saved and invested ( )
30. The rate of technological improvements ( )
31. All of the above ()
32. Among the following determinants of growth, which is a non-economic factor?
33. Natural resources ( )
34. Population growth ( )
35. Favourablelegislation ()
36. Capital accumulation ( )
37. Besides increase in output, economic development is concerned with
38. Inputs and their efficiency ( )
39. Equitable distribution of income ( )
40. Life sustenance, self-esteem and freedom from want, ignorance and squalor ( )
41. All of the above ()
42. The most simple and popular method of measuring economic development is to calculate the trend of Gross National Product (GNP) at
43. Current prices ( )
44. Constant prices ()
45. Both of the above ( )
46. None of the above ( )
47. The most important factor in economic development is
48. Quality of human resources ()
49. Quality of natural resources ( )
50. Quality of governance ( )
51. Quality of banking system ( )
52. When economic development takes place
53. Share of services in GDP increases ( )
54. Share of agriculture in GDP increases ( )
55. Share of industry in GDP increases ( )
56. Both (a) and (c) ()
57. Which of the following is acting as an obstacle to economic development
58. Shortage of money ( )
59. Urbanization ( )
60. Political instability ()
61. Shortage of labour ( )
62. The Solow’s growth model assumes that the two factors of production labour and capital are paid according to
63. their marginal physical productivities ()
64. the skills of the labour ( )
65. the quality of the output ( )
66. None of the above ( )
67. Neo-classical growth model considered two-factor production function with
68. Technology and output ( )
69. Capital and labour ( )
70. Labour and technology ( )
71. Capital and technology ( )
72. Technological progress helps in
73. Increase in overall productivity ( )
74. Economic growth ( )
75. Both of the above ( )
76. None of the above ( )
77. The technique of production in which the amount of capital used per unit of labour is larger than that of labour is known as
78. Capital-intensive technique ()
79. Modern technique ( )
80. Scientific technique ( )
81. All of the above ( )
82. Economic growth can be measured in terms of changes in
83. GDP per head in agricultural sector ( )
84. GDP per head of working population ( )
85. Real national income per head ()
86. All of the above ( )
87. Assuming that 3 units of capital are required to produce 1 unit of output, then capital-output ratio would be
88. $3∶2$ ( )
89. $3∶1$ ()
90. $3∶3$ ( )
91. $3∶4$ ( )
92. With economic growth, the proportion of labour-force engaged in agriculture
93. Increases ( )
94. Decreases ()
95. Remains unaffected ( )
96. Changes in uncertain manner ( )
97. A strategy of heavy industry is sometimes preferred for a developing economy because it can
98. generate employment opportunities on a large scale ( )
99. provide a strong base for rapid industrialization ( )
100. contain inflationary measures ( )
101. both (a) and (b) ($√$)
102. The incremental capital-output ration (ICOR) refers to the
103. Ratio of investment to change in output ()
104. Ratio of capital stock to the total output ( )
105. Marginal productivity of capital ( )
106. Financed by the citizens of a country and the income enjoyed by them ( )
107. Capital-output ratio is determined by
108. Sectoral allocation of capital ( )
109. Level of economic activity ( )
110. Human and natural resources ( )
111. All of the above ()
112. Which of the following is the indicators of economics growth
113. National income ( )
114. Per capita income ( )
115. Per capita consumption ( )
116. All of the above ()
117. According to the neo-classical theory, economic development is
118. Gradual ( )
119. Harmonious ( )
120. Cumulative ( )
121. All of the above ()
122. Which growth model inspired the use of capital-output ratio for development planning?
123. Harrod-Domar model ( )
124. Solow model ( )
125. Kaldor model ( )
126. Feldman model ( )
127. Harrod-Domar model of economic growth is based on
128. Underveloped economy ( )
129. Advanced capitalist economy ()
130. Developing economy ( )
131. All of the above ( )

1. Harrod-Domar model operates in a
2. Closed economy ()
3. Open economy ( )
4. Both open and closed economy ( )
5. None of the above ( )
6. Harrod- Domar model is based on
7. Two distinct rates of growth ( )
8. Three distinct rates of growth ()
9. Four distinct rates of growth ( )
10. Five distinct rates of growth ( )
11. Solow’s model of long-run growth is an improvement over that of
12. J.E. Meade ( )
13. Harrod-Domar ( )
14. J. Robinson ( )
15. A.K.Sen ( )
16. The major difference between Harrod-Domar and Solow models of growth lies in
17. Returns to scale ( )
18. Returns to variable factors ( )
19. Substitutability between labour and capital ()
20. Growth of income ( )
21. Which growth model analyses the contribution of technological progress to the overall growth rate
22. Solow model ()
23. Kaldor model ( )
24. Harrod model ( )
25. All of the above ( )
26. The saving ratio in Solow’s model is
27. Constant ()
28. Negative ( )
29. Flexible ( )
30. None of the above ( )
31. Which of the following models formed the basis of India’s First Five Year Plan
32. Malanobis model ( )
33. Feldman model ( )
34. Harrod-Domar model ()
35. Leontief model ( )
36. Which of the following models uses three distinct concepts of growth?
37. Ramsey model ( )
38. Harrod-Domar model ()
39. Solow model ( )
40. Lewis model ( )
41. The sequence of the three growth rates in Harod-Domar model is
42. actual, warranted and natural growth rates ()
43. natural,warranted and actual growth rates ( )
44. warranted, actual and natural growth rates ( )
45. natural,actual and warranted growth rates ( )
46. Which of the following models makes the assumption of constantsaving-income ratio?
47. Kaldor model ( )
48. Leontief model ( )
49. Hoarrod-Domar model ($√$)
50. Joan Robinson model ( )
51. For neo-classical theorists, economic under- development is the product of which of the following
52. Inappropriate economic policies and too much state interference in the economy ( )
53. Barriers against free trade ( )
54. Low prices for raw-materials ( )
55. Both (a) and (b) ()
56. In Harrod-Domar model, the actual growth rate represented by G, is determined by
57. Aggregate demand and aggregate supply ( )
58. Saving ratio and the capital-output ratio ()
59. Increase in productive capacity ( )
60. Net autonomous investment ( )
61. According to Harrod-Domar model, once the steady growth is interrupted and the economy falls into disequilibrium, cumulative forces tend to perpetuate divergence thereby leading to
62. inflation in the economy ( )
63. either secular deflation or secular inflation ()
64. Low economic growth rates ( )
65. All of the above ( )
66. In Solow’s model of economic growth, production takes places under
67. Increasing returns to scale ( )
68. Constant returns to scale ()
69. decreasing returns to scale ( )
70. None of the above ( )

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| **ANSWER KEY** **(UNIT-V)** |
| **Question No** | **Answer Key** |
| **1.** | **B** |
| **2.** | **B** |
| **3.** | **C** |
| **4.** | **A** |
| **5.** | **C** |
| **6.** | **D** |
| **7.** | **C** |
| **8.** | **D** |
| **9.** | **B** |
| **10.** | **A** |
| **11.** | **D** |
| **12.** | **C** |
| **13.** | **A** |
| **14.** | **B** |
| **15.** | **C** |
| **16.** | **A** |
| **17.** | **C** |
| **18.** | **B** |
| **19.** | **B** |
| **20.** | **D** |
| **21.** | **A** |
| **22.** | **D** |
| **23.** | **D** |
| **24.** | **D** |
| **25.** | **A** |
| **26.** | **B** |
| **27.** | **A** |
| **28.** | **B** |
| **29.** | **B** |
| **30.** | **C** |
| **31.** | **A** |
| **32.** | **A** |
| **33.** | **C** |
| **34.** | **B** |
| **35.** | **A** |
| **36.** | **C** |
| **37.** | **D** |
| **38.** | **B** |
| **39.** | **B** |
| **40.** | **B** |

1. **FILL IN THE BLANKS**
2. Harrod regarded the natural growth rate as\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
3. \_\_\_\_\_\_\_\_\_\_\_\_\_ is determined by the saving ratio and the capital-output ratio.
4. \_\_\_\_\_\_\_\_\_\_\_ is a self-sustaining rate of growth and if the economy continues to grow at this rate, it will follow the equilibrium path.
5. In Harrod-Domar model,when $G>Gw, $it will lead to \_\_\_\_\_\_\_\_\_\_.
6. In Harrod-Domar model, when$Gw>Gn$, \_\_\_\_\_\_\_\_\_\_ will develop in the economy.
7. According to Harrod-Domar model, the equilibrium between $G and Gw$ is called\_\_\_\_\_\_
8. Solow‘s model assumes that prices and wages are \_\_\_\_\_\_\_\_\_\_\_\_.
9. In Solow’s model, labour and capital are \_\_\_\_\_\_\_\_\_\_\_ for each other.
10. Solow postulates a \_\_\_\_\_\_\_\_\_\_production function linking output to the inputs of capital and labour.
11. In Harrod-Domar model, the ratio of capital stock to income is assumed to be \_\_\_\_\_\_.
12. The warranted growth rate is also known as \_\_\_\_\_\_\_\_\_\_\_.
13. Harrod-Domar assumed that an initial \_\_\_\_\_\_\_\_\_\_ equilibrium level of income.
14. Harrod –Domar model operates in a\_\_\_\_\_\_\_ economy.
15. \_\_\_\_\_\_\_\_\_ is the rate at which producers will be content with what they are doing.
16. \_\_\_\_\_\_\_\_\_shows short-run cyclical variations in the rate of growth.
17. According to Harrod-Domar model, the actual growth rate *G*\_\_\_\_\_ warranted growth rate *Gw* in order to attain full employment in the economy.
18. The growth rate which depends on macro-variables like population, technology, natural resources and capital equipment is called \_\_\_\_\_\_\_\_\_\_\_.
19. Natural growth rate is also known as \_\_\_\_\_\_\_\_\_\_\_\_\_.
20. In Solow’s model, the long- run rate of growth is determined by an expanding labour force and \_\_\_\_\_\_\_\_\_\_\_\_.
21. Solow’s model takes up only the problem of balance between Harrod’s\_\_\_\_\_\_\_\_\_\_\_\_\_

**Answers to Fill in the Blanks:**

1. *the welfare optimum*
2. *The actual growth rate*
3. *Warranted growth rate*
4. *secular inflation*
5. *secular stagnation*
6. *a knife-edge equilibrium.*
7. *Flexible*
8. *Substitutable*
9. *Continuous*
10. *Fixed*
11. *the full capacity growth rate*
12. *full employment*
13. *closed*
14. *Warranted growth rate*
15. *Actual growth rate*
16. *must equal*
17. *natural growth rate.*
18. *full employment growth rate.*
19. *technical progress.*
20. *warranted rate of growth (Gw) and natural rate of growth (Gn).*