

MACROECONOMICS

[CUET-PG]

Q1. according to James Duesenberry individual consumption pattern is. Chose the correct alternative.

1. consumption pattern is reversible.
2. Consumption pattern is irreversible.
3. Consumption pattern is interdependent.
4. Consumption pattern is independent.

- A. Only 2.
 B. 1 and 2 are true.
 C. 2 and 3 are true. ✓
 D. 2 and 4 are true.



2. According to Keynes what causes changes in inducement to invest by entrepreneurs?

- A. MPC and MEI
 B. MEC and MPS
 C. MEC and rate of interest
 D. MPC and rate of interest

Classical	Keynes
goods met is in eq when $S=I$	S is fund of income
$S=f(Y)$ +ve	$S=f(r)$
$I=f(r)$ -ve	$I=f(r)$ +ve
Equality b/w and I bring "A"	equality b/w S and I give "y"

3. fiscal policy is more effective when

1. LM curve is less elastic.
2. IS curve is less elastic.
3. LM curve is more elastic.
4. IS curve is more elastic.

- A. 1 and 2.
 B. 2 and 3
 C. 3 and 4
 D. 1 and 4



$r \rightarrow S=I$ (in classical)

4. Under classical theory, rate of interest is determined by

- A. Demand for money and supply of money
 B. Demand for capital and supply of savings ✓
 C. Demand for investment and price level
 D. Demand for investment and supply of money

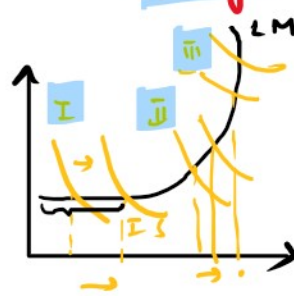
5) The Foreign Trade Multiplier is the ratio of;

- A) the change in equilibrium output to a change in investment expenditure.
 B) the change in the money supply to a change in the monetary base.
 C) the change in the money supply to a change in the autonomous expenditure.
 D) the change in equilibrium output to a change in the Export. ✓

foreign-trade multiplier = $\frac{1}{1 - \text{mpc}}$
 (or) $\frac{1}{1 - \text{mpc} + \text{mpi}}$

① Duesenberry believed that the basic consumption fn was long run and proportional. This means that avg fraction of income consumed does not change in the long run, but there may be variation between consumption and income within short-run cycles.

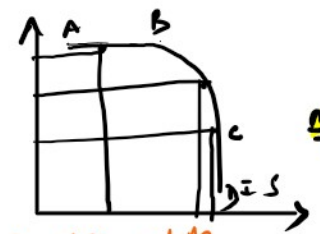
✓ families with relatively high incomes experience lower APCs and families with relatively low incomes experience high APCs.



Zone I: LM flat (perfect elastic)
 MP (ineffective) ⇒ FP most effective

Zone II: LM intermediate (less elastic)
 MP more effective ⇒ FP less effective

Zone III: LM vertical (perfect inelastic)
 MP most effective ⇒ FP ineffective.



① IS curve (AB) horizontal (perfectly elastic) ⇒ FP remain ineffective

② IS curve flat (BC) (effective FP)

③ IS vertical (CCD) (most effective FP).

$$\left(\frac{\Delta x}{x}\right) \text{ approx } \pi$$

most effective monetary policy (most effective FP).

7. if nominal GDP is 800 and price index (base = 100) is 200, calculate real GDP.

1. 350
2. 400 ✓
3. 500
4. 750

$$\text{GDP def} = \frac{\text{Nom}}{\text{Real} \times 100}$$

$$\text{real GDP} = \frac{\text{Nom}}{\text{GDP def} \times 100}$$

$$= \frac{800}{200 \times 100} = 400$$

8. The negative relationship between the gap between actual GDP and its trend value and the difference between actual unemployment rate and its equilibrium value is called:

- a) The Aggregate Supply Curve
- b) The Battle of the Mark-ups
- c) The Phillips Curve
- d) Okun's Law ✓

9. In the context of investments, which of the following statement(s) is/are CORRECT?

- A. According to the accelerator model, investment demand is proportional to change in income ✓
- B. The higher the real interest rate, the higher is the rental cost of capital ✓
- C. Investment is a stock variable ✓ → + flow
- D. The real rate of interest is equal to the nominal rate of interest plus the inflation rate ✓

Choose the correct answer from the options given below:

1. A and B only
2. A and D only ✓
3. B and C only
4. C and D only

10. Match List - I with List - II :

- | | |
|---------------------------|------------------------------------------------------------|
| List - I | List - II |
| a. Keynes ✓ | i. Interest is real phenomenon. |
| b. Irving Fisher ✓ | ii. Interest is non-monetary phenomenon. |
| c. Wicksell ✓ | iii. Interest is both monetary and nonmonetary phenomenon. |
| d. Classical Economists ✓ | iv. Interest is monetary phenomenon. |

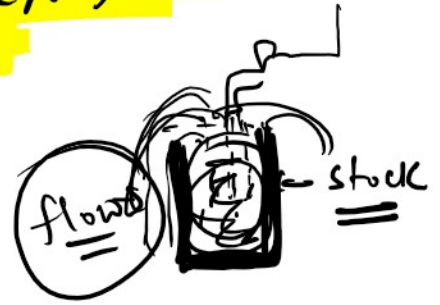
Codes : a b c d

- (1) iv iii iii i ✓
- (2) i ii iii iv
- (3) iv iii ii i
- (4) ii i iv iii

11. Friedman's modern Quantity Theory of Money concludes that changes in aggregate spending are primarily determined by changes in

1. The money supply ✓
2. Interest rate
3. The velocity of money
4. Government spending and taxes

Okun's law: It is an empirically observed relationship between unemployment and losses in a country's production.
 ie The gap version states that for every 1% increase in the unemployment rate, a country's GDP will be roughly an additional 2% lower than its potential GDP.



Keynes → interest is monetary phenom.
 Fisher → non-monetary phenom.
 classical → interest is real phenom.
 Wicksell → both monetary & non-monetary.

11. Friedman's modern Quantity Theory of Money concludes that changes in aggregate spending are primarily determined by changes in

1. The money supply ✓
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13. Match the following : List - I List - II

- | | | |
|-------------------------|---|------------------------------------------------|
| a) Classical | → | 1) Under economics employment |
| b) Keynesian | → | 2) Ineffectiveness of economics macro policies |
| c) Supply sided | → | 3) Full economics employment |
| d) Rational expectation | → | 4) Laffer curve |

Codes : ab c d

(A) 3 1 2 4

✓ (B) 3 1 4 2 ✓

(C) 1 3 4 2

(D) 3 4 2 1

2. Which of the following functions will result in a multiplier of value 5?

निम्नलिखित में से किस कार्य के परिणामस्वरूप होगा?

- A. $C = 100 + 0.2Y$
- ✓ B. $C = 120 + 0.8Y$
- C. $S = -50 + 0.8Y$
- ✓ D. $S = -50 + 0.2Y$

$m_p_c = 0.2$ $m_p_s = 0.8$
 $m_p_c = 0.8$ $m_p_s = 0.2$
 $m_p_c = 0.8$ $m_p_s = 0.2$

Choose the correct answer from the options given below

1. A and C only
2. A and D only
- ✓ 3. B and D only ← ans.
4. C and D only

$$\frac{\Delta Y}{\Delta I} = \frac{1}{m_p_s} = \frac{1}{1 - m_p_c}$$

$$= \frac{1}{0.2} = \frac{10}{2} = 5$$

3. In an economy consumption function is $C = 200 + 0.6Y$ and investment is 1000 then find out equilibrium level of income..
 एक अर्थव्यवस्था में खपत फलन $C = 200 + 0.6Y$ है और निवेश 1000 है तो आय का संतुलन स्तर ज्ञात कीजिए।

1. 3400
- ✓ 3000 ✓
3. 2500
4. 2000

$C = 200 + 0.6Y$ $I = 1000$

in equil : $AD = AS$

$$C + I = Y$$

$$200 + 0.6Y + 1000 = Y$$

$$1200 = Y - 0.6Y$$

$$1200 = 0.4Y$$

$$Y = \frac{12000}{0.4} = \frac{3000}{(ans)}$$

4. Consider the following statements describing the relationship between marginal propensity to consume (m.p.c) and value of the multiplier :

- (a) Higher the m.p.c lower is the value of multiplier X
 - (b) Higher the m.p.c higher is the value of multiplier ✓
 - (c) If m.p.c=1, value of multiplier will be ∞ ✓
- Which of the above statements is/are correct ?
 (1) (b) alone

marginal and value

$$\frac{\Delta Y}{\Delta I} \Rightarrow m_p_c$$

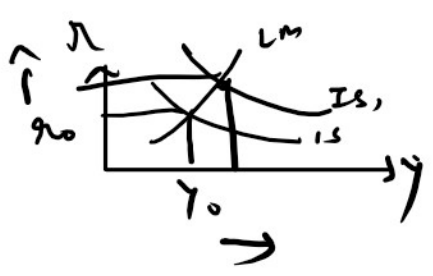
$$\frac{\Delta Y}{\Delta I} = \frac{1}{1 - m_p_c}$$

multiplier
 (c) If $m.p.c=1$, value of multiplier will be ∞
 Which of the above statements is/are correct?
 (1) (b) alone
 (2) (b) and (c) ✓
 (3) (c) alone
 (4) (a) alone

5. As per IS-LM framework, an increase in government expenditure will result in :
 (1) increase in income and interest rate both ✓
 (2) increase in income only
 (3) decrease in investment and interest rate both.
 (4) decrease in income and interest rate both.

IS-LM ढांचे के अनुसार, सरकारी व्यय में वृद्धि का परिणाम होगा:
 (1) आय और ब्याज दर दोनों में वृद्धि।
 (2) केवल आय में वृद्धि।
 (3) निवेश और ब्याज दर दोनों में कमी।
 (4) आय और ब्याज दर दोनों में कमी।

$\frac{1}{1 - mpc}$
 $mpc \uparrow \Rightarrow 1 - mpc \downarrow \Rightarrow \text{mult} \uparrow$



[REDACTED]

[REDACTED]