

TYBA – Semester VI

Multiple choice questions of Macroeconomics – III

Module 1 – The Goods Market in the Open Economy

Q. Select the correct answer from the following. (1 Mark each)

1. Openness in _____ is the economy buys and sells goods and services in the world product markets.
 - a. Money market
 - b. Goods market
 - c. Wholesale market
 - d. Factor market

2. If net exports are positive, country's exports are _____ than imports.
 - a. Lesser
 - b. Greater
 - c. Equal
 - d. better

3. $Y = C + I + G + \underline{\hspace{2cm}}$.
 - a. MX
 - b. NX
 - c. RX
 - d. VX

4. Imports are depending on the _____ exchange rate.
 - a. Real
 - b. nominal
 - c. fixed
 - d. flexible

5. In fixed exchange rate policy, the domestic interest rate must be _____ foreign interest rate.
 - a. More than
 - b. equal to
 - c. less than
 - d. higher than

6. _____ of any country are the difference between the value of its exports and the

value of its imports.

- a. Gross Export
- b. Net Export
- c. Total Demand
- d. Total Supply

7. Net Capital _____ = Purchase of foreign assets by domestic residents – Purchase of domestic assets by foreigners.

- a. Inflow
- b. Outflow
- c. Receipts
- d. Payment

8. National saving is the income of the nation that is left after paying for _____ consumption and government purchases.

- a. Current
- b. Future
- c. Short run
- d. Long Run

9. Real and _____ exchange rates are closely related to each other.

- a. Nominal
- b. Constant
- c. Current
- d. Flexible

10. Openness is _____ markets is the ability of firms to choose where to locate production, and of workers to choose where to work.

- a. product
- b. Factor
- c. Money
- d. Capital

11. Saving = _____ + Net Export

- a. Import
- b. Expenditure
- c. Rate of interest
- d. Investments

12. In trade deficit, net capital outflow is _____ zero.

- a. Greater than
- b. Less than
- c. Equal to
- d. Inversely related

13. Investments depends upon income and _____.
- a. Consumption
 - b. Expenditure
 - c. Rate of interest
 - d. Export

Module – 2 Money / Financial Markets and Mundell – Fleming Model

14. The LM curve slopes _____ from left to right.
- a. Downward
 - b. Upward
 - c. Vertical
 - d. Horizontal

15. Investments and _____ are directly related.
- a. Factors of production
 - b. Rate of interest
 - c. Output
 - d. Rate of exchange

16. According to Mundell- Fleming model, _____ balance refers to equilibrium in balance of payments.
- a. Internal
 - b. External
 - c. International
 - d. Domestic

17. Contractionary fiscal policy refers to a reduction in _____ expenditure and increase in taxes.
- a. Individual
 - b. Corporate
 - c. Government
 - d. Foreign

18. The LM curve describes equilibrium in the _____ market.
- a. Goods

- b. Factor
- c. Money
- d. Capital

19. The _____ curve shows the value of real interest rate that clears the asset market for any given value of output.

- a. IS
- b. LM
- c. Supply
- d. Demand

20. For the determination of interest rate in the basic IS-LM model, supply of money should be _____ demand for money.

- a. Greater than
- b. Equal to
- c. less than
- d. Better than

21. _____ diagram helps to determine the appropriate policy mix to reach internal and external balance.

- a. IS
- b. LM
- c. Swan
- d. Marshall's

22. The LM curve is steeper when the demand for money responds strongly to income and weakly to _____.

- a. Consumption
- b. Investment
- c. Interest rate
- d. Saving

23. Consumption depends positively on _____ income

- a. Disposable
- b. Gross
- c. Corporate
- d. Induced

24. Imports depend positively on both output and _____.

- a. Real exchange rate
- b. Investment
- c. Production
- d. Consumption

25. Under fixed exchange rate the central bank gives up _____ policy as a policy instrument.
- Monetary
 - Fiscal
 - Trade
 - International

Module 3 – Exchange rate regimes and Exchange rate crisis

26. _____ is the rate at which the currency of a country is exchanged against the currency of another country.
- Exchange Rate
 - Interest rate
 - Nominal Rate
 - Real Rate
27. Fixed exchange rate promotes _____ and investments.
- Saving
 - Consumption
 - International Trade
 - Interest Rate
28. _____ exchange rate is determined with market forces like demand and supply without any government intervention.
- Real
 - Free float
 - Fixed
 - Nominal
29. In exchange rate crisis, exchange rate _____ widely.
- Appreciates
 - Depreciates
 - Devalue
 - Revalue
30. _____ currency is a widely accepted currency in international market.
- Transport
 - Vehicle
 - Golden
 - Euro
31. Irrational speculation leads to _____ effect in international market.
- Snob appeal
 - Bandwagon

- c. Negative
- d. Veblen

32. Most of the developing countries have now opted _____ exchange rate.

- a. Fixed
- b. Flexible
- c. Managed Float
- d. Spot

33. Management of _____ exchange rate helps to control foreign exchange crisis.

- a. Spot
- b. Forward
- c. Foreign
- d. Flexible

34. _____ exchange rate promotes domestic stability.

- a. Spot
- b. Forward
- c. Fixed
- d. Flexible

35. _____ exchange rate system takes place when the government intervenes deliberately to influence the exchange rate.

- a. Free float
- b. Dirty float
- c. Managed float
- d. flexible

36. _____ interest rate discourages investment and borrowing.

- a. Spot
- b. Forward
- c. Fixed
- d. Flexible

37. _____ reduces exports and induces imports leading to current account deficit.

- a. Inflation
- b. Deflation
- c. Recession
- d. Depression

38. India experienced a minor currency crisis in _____.

- a. 2000
- b. 2008
- c. 2013
- d. 2015

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Module 4 – International Monetary History – 1900 - Present

39. The _____ was abandoned during the World War I.
- Bretton woods system
 - Gold standard
 - Floating exchange rate system
 - Managed flexible exchange rate system
40. Under Bretton Woods System, the _____ accepted as an international reserve currency.
- US Dollar
 - Japanese Yen
 - Chinese Yuan
 - Russian Rubble
41. The Maastricht treaty was signed on 7th February _____.
- 1990
 - 1991
 - 1992
 - 1993
42. New Development Bank (NDB) was formerly known as _____ development Bank.
- SAARC
 - ASEAN
 - NAFTA
 - BRICS
43. In World War I, _____ was worst sufferer.
- India
 - USA
 - Germany
 - Russia
44. The global financial crisis started in _____.
- Great Britain
 - USA

- c. UAE
d. India
45. _____ is the current president of AIIB.
a. D.J.Pandian
b. Martin Kimming
c. J.N.Liqun
d. Raghuram Rajan
46. The headquarters of New Development Bank is in_____.
a. Germany
b. Russia
c. China
d. Japan
47. A phrase “Rules of the Game” was coined by _____.
a. Alfred Marshall
b. David Ricardo
c. Karl Marx
d. J. M. Keynes
48. _____ is a fixed exchange rate system introduced under IMF.
a. Gold standard
b. Bretton woods system
c. Maastricht treaty
d. Dollar elsewhere system
49. In 1979 _____ was established by the European Union.
a. European Common Market
b. European Custom Union
c. European Monetary System
d. European Integration
50. The authorized capital stock of the Asian Infrastructure Investment Bank (AIIB) is _____ billion US Dollars.
a. 50
b. 80
c. 100
d. 120

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