Sheth T. J. Education Society's
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MCQs of Advanced Macroeconomics III

T. Y. B. A. – Sem VI

Module – 1
Post-Keynesian Synthesis

1. The IS-LM model was developed in 1937 by_____.
    a) John Keynes
    b) John Clark
    c) John Hicks
    d) John Hobson

2. _____ shows goods market equilibrium.
    a) LM Curve
    b) IS Curve
    c) Aggregate Supply curve
    d) Aggregate demand curve

3. LM curve shows _____ market equilibrium.
    a) Goods
    b) Factor
    c) Money
    d) Labour

4. IS curve slopes _____from left to right.
    a) Upward
    b) Downward
    c) Vertical
    d) Horizontal

5. LM curve slopes _____from left to right.
    a) Upward
    b) Downward
    c) Vertical
    d) Horizontal

6. One of the basic equilibrium conditions is that I must be equal to S, where I and S stand for_____.
    a) Inflation and saving
    b) Investment and surplus

c) Inflation and surplus

d) Investment and saving

7. One of the basic equilibrium conditions is that L must equal to M, where L and M stand for_____.
   a) Liquidity and money
   b) Money demanded and money supplied
   c) Nominal money and real money
   d) Money supplied and money demanded

8. For a given value of interest rate, i, demand is_____ function of output.
   a) an increasing
   b) a decreasing
   c) a constant
   d) an unrelated

9. The IS curve gives the equilibrium level of output as a function of the interest rate. If taxes and government spending change the Is curve_____.
   a) Remains constant
   b) Becomes vertical
   c) Shifts
   d) Becomes horizontal

10. When the money market is in equilibrium, the _____ in income that makes people want to hold more money, and the _____ in the interest rate that makes people want to hold less money cancel each other.
    a) Increase, decrease
    b) Decrease, increase
    c) Inertia, inertia
    d) Increase, increase

11. The LM curve shifts if there are changes in M/P _____.
    a) If there are changes in M
    b) If there are changes in P
    c) Both options a and b
    d) Only change in M

12. $\frac{M}{P} = YL$ (i) represents the _____.
    a) IS relation
    b) LM relation
    c) IS-LM relation
    d) Interest relation

13. Any point on the downward sloping IS curve corresponds to equilibrium in the _____.
    a) Goods market
    b) Money market
    c) Real market
    d) Labour market

14. Any point on the upward sloping LM curve corresponds to equilibrium in the _____.
    a) Goods market
    b) Money market
    c) Real market
    d) Labour market

15. The IS-LM model relates the real interest rate to output, and the AD-AS model relates the _____ to output.
    a) Nominal interest rate
    b) Inflation level
    c) Price level
    d) Both options (a) and (b)

16. One of the reasons why the AD curve slopes downward is because an increase in the price level reduces the real money supply, which shifts the LM curve_____.
    a) Down and to the left
    b) Down and to the right
    c) Up and to the left
    d) Up and to the right

17. The AD curve tells us that the reduction in the real money supply increases the real interest rate, which _____ the demand for goods by households and firms.
    a) Increase
    b) Reduces
    c) Keeps constant
    d) Either option (a and (b)

18. A temporary increase in government purchases shifts the AD curve_____.
    a) Up and to the right
    b) Up and to the left
    c) Down and to the right
    d) Down and to the left

19. If we assume that prices remain fixed in the short run and that firms supply the quantity of output demanded at this fixed price level the short-run aggregate supply curve, or SRAS, is a_____.
    a) Horizontal line

b) Vertical line
c) Upward sloping line
d) downward sloping line

20. An_____ in costs, that leads firms to increase prices in the short run will shift the SRAS curve.
    a) Increase, down
    b) Increase, up
    c) Decrease, down
    d) Decrease, up

21. Which one of the following statements is correct?
    a) Classical economists argue that the economy reaches its long-run equilibrium slowly.
    b) In the classical view the short-run aggregate supply (SRAS) curve is irrelevant
    c) Keynesians argue that the economy may take years to reach short-run equilibrium
    d) In the Keynesian view the short-run aggregate supply (SRAS) curve is irrelevant

22. The higher the skills needed to do the job, the more likely there is to be_____.
    a) Bargaining
    b) Higher wages
    c) Lower wages
    d) Higher turnover

23. Workers are typically paid a wage that exceeds their _____ wages.
    a) Expected
    b) Reservation
    c) Deserved
    d) Reasonable

24. If the required skills can be taught quickly, and there are a large number of willing applicants, the worker will have _____ bargaining power.
    a) More
    b) Constant
    c) Not much
    d) Zero

25. When the unemployment rate is low, workers are in a _____ bargaining position.
    a) Weaker
    b) Low level
    c) Non-existent
    d) Stronger

26. When workers are paid only their reservation wage, the turnover rate will be_____.
    a) Low
    b) Decreasing
    c) Increasing
    d) High

27. Theories that link the productivity or the efficiency of workers to the wage they are paid are known as_____.
    a) Efficiency wage theories
    b) Reservation wage theories
    c) Bargaining theories
    d) Both options (b) and (c)

28. An increase in the nominal wage leads to an increase in costs, which leads to a _____ price level.
    a) Constant
    b) Lower
    c) Higher
    d) Fluctuating

29. Which of the following statements is correct?
    a) The natural rate of unemployment is unemployment that goes away on its own even in the long run.
    b) The natural rate of unemployment is unemployment that goes away on its own in the long run.
    c) The natural rate of unemployment is unemployment that does not go away on its own in the short run.
    d) The natural rate of unemployment is unemployment that does not go away on its own even in the long run.

30. Natural unemployment, or natural rate of unemployment, is the unemployment rate that persist in a well-functioning, healthy economy that is considered to be _____.
    a) At full employment
    b) In equilibrium
    c) In disequilibrium
    d) Reaching full employment

31. The components of natural unemployment include _____.
    a) Frictional, static, surplus
    b) Structural, dynamic, disguised
    c) Surplus, structural, frictional
    d) Smooth, structural, surplus

32. A rise in unemployment caused by a recession may cause the natural rate of unemployment to increase is referred to as_____.
    a) Hysterics
    b) Hyperarc
    c) Hysterces
    d) Hysteresis

33. It is possible for institutional factors such as the minimum wages or high degrees of unionization to _____ the natural rate over the long run.
    a) Decrease
    b) Increase
    c) Nullify
    d) Establish

34. Phillips studied the relationship between unemployment and changes in the _____ in the UK over the period 1862-1957.
    a) Prices of consumer goods
    b) Wages
    c) Money wages
    d) General level of prices

35. The_____ short-run relationship between the unemployment rate and the inflation rate, is called the short-run Phillips curve.
    a) Positive
    b) Negative
    c) Non-existent
    d) Perfect

36. _____supply shocks, shift the short-run Phillips curve_____.
    a) Negative, up
    b) Negative, down
    c) Positive, down
    d) Both options (a) and (b)

37. Friedman of the University of Chicago and _____ of Columbia university set forth the hypothesis that expectations about future inflation directly affect the present inflation rate.
    a) Phelps
    b) Perez
    c) Patinkin
    d) Pigou

38. The unemployment rate at which inflation does not change over time is referred to as
    _____.
    a) Non-accelerating inflation rate of employment
    b) Accelerating inflation rate of unemployment
    c) Inflation rate of unemployment
    d) Non-accelerating inflation rate of employment

39. Expectations are views or beliefs about _____ variables.
    a) Known
    b) Uncertain
    c) Unknown
    d) Certain

40. Expectations are said to be ____ if people form their expectations on the basis of past
    behaviour.
    a) Certain
    b) Accurate
    c) Adaptive
    d) Precise

41. Expectations are said to be _____ if they are not systematically wrong and use all available.
    a) Biased
    b) Unbiased
    c) Rational
    d) Irrational

42. In the 1960s, _____ and the monetarists developed notion of adaptive expectations.
    a) Friedman
    b) Freedman
    c) Samuelson
    d) Modigliani

43. Though origins of the adaptive expectations hypothesis can be traced back to Irving Fisher,
    it was formally introduced in the 1950s by
    a) Kahneman, Friedman, and Nerlove
    b) Cagan, Friedman, and Nerlove
    c) Cagan, Friedman, and Neumann
    d) Cagan, Friedman and Nerlove

44. If inflation has always averaged 3% over the past decade, it's likely that people's
    expectations today (Year 0) will be that inflation next year (Year 1) should also be closed to
    _____.
    a) 5%

b) 3%

c) 4%

d) 6%

45. Called ____ this school of thought was developed by Lucas, Sargent and Barro.
   a) New classical macroeconomics
   b) Classical macroeconomics
   c) New macroeconomics
   d) New neo-classical macroeconomics

Module – 2
Trade Cycles

46. In which of the following phase the economy register an upward trend in output, income and employment?
   a) Recovery
   b) Depression
   c) Prosperity
   d) Recession

47. In which of the following phase there is considerable fall in production, employment, income and investment?
   a) Recession
   b) Depression
   c) Recovery
   d) Prosperity

48. In which of the following phase, output, employment, income, etc. begin to decline?
   a) Recession
   b) Prosperity
   c) Depression
   d) Recovery

49. The recession phase of the trade cycle begins at ____.
   a) Trough
   b) Peak
   c) Midpoint of expansion
   d) recovery

50. When economic variables move together in a predictable way, it is called_____.
   a) Cumulation
   b) Co-movement

c) Upward movement
d) Downward movement

51. According to Hawtrey, trade is purely_____.
   a) A non-monetary phenomenon
   b) Purely monetary phenomenon
   c) Consumption-investment phenomenon
   d) Saving-investment phenomenon

52. According to Hawtrey, important people who cause cyclical changes are
   a) Investors
   b) Wholesale traders
   c) Central bank
   d) Government

53. According to Hawtrey, upper turning point is the result of _____.
   a) Banks' reluctance to advance credit
   b) Credit deadlock
   c) Declining stock of goods with traders
   d) Capital outflow

54. According to Hawtrey, expansionary and contractionary phases are_____.
   a) Non-cumulative
   b) Cumulative
   c) Restrictive
   d) Non restrictive

55. According to Hawtrey, no demand at a very low or zero rate of interest is called_____.
   a) Zero demand
   b) Credit deadlock
   c) Excess demand
   d) Excess supply

56. Kaldor uses_____ functions of saving and investment functions.
   a) Linear
   b) Constant
   c) Non-linear
   d) unrelated

57. Kaldor's saving and investment functions are_____.
   a) Ex-ante
   b) Ex-post
   c) Both (a) and (b)

d) Neither (a) nor (b)

58. In Kaldor's theory there are_____.
    a) Only stable equilibrium
    b) Only unstable equilibrium
    c) Both (a) and (b)
    d) Neither (a) nor (b)

59. In Kaldor's theory of trade cycle, in the expansionary period_____.
    a) $I < S$
    b) $I > S$
    c) $L > M$
    d) $L < M$

60. In Kaldor's theory of trade cycle, in contractionary phase_____.
    a) $I > S$
    b) $I < S$
    c) $L > M$
    d) $L < M$

61. The value of multiplier depends on_____.
    a) Marginal propensity to consume
    b) Capital output ratio
    c) Induced investment
    d) Capital Adequacy Ratio

62. The value of accelerator depends on_____.
    a) Marginal propensity to consume
    b) Capital output ratio
    c) Depreciation
    d) Input – output Ratio

63. Interaction between multiplier and accelerator gives rise to_____.
    a) Increase in consumption
    b) Cyclical movements
    c) Changes in autonomous investment
    d) Changes in output

64. The principle of acceleration was initially coined by_____.
    a) J. M. Kenyes
    b) Paul Samuelson
    c) J. K. Clark
    d) J. S. Mill

65. Consumption according to Samuelson's theory of trade cycle depends on the income of_____.
   a) Present period
   b) Previous period
   c) Future period
   d) Short period

66. Two important factors responsible for economic fluctuations are_____.
   a) Consumption and investment
   b) Multiplier and acceleration
   c) Saving and investment
   d) Investment and rate of interest

67. The upper limit of cyclical movement is_____.
   a) Floor
   b) Equilibrium path
   c) Full employment ceiling
   d) Under employment ceiling

68. The downward movement of business cyclical is limited _____.
   a) Negative acceleration
   b) Floor
   c) Reverse multiplier
   d) ceiling

69. A business cycle may crawl for some time on_____.
   a) Floor level
   b) Equilibrium level
   c) Both on ceiling and floor
   d) Ceiling level

70. During recession/depression public expenditure should_____.
   a) Remain constant
   b) Decrease
   c) Increase
   d) zero

71. Monetary policy may not be very effective during depression due to_____.
   a) High MEC
   b) Low MEC
   c) High degree of liquidity
   d) High rate of interest

72. Which of the following fiscal measures will be most effective during recession?
    a) Increasing taxes and reducing public expenditure
    b) Increasing both taxes and public expenditure
    c) Reducing both taxes and public expenditure
    d) Reducing taxes and increasing public expenditure

73. In a policy mix, monetary fiscal policies can be used_____.
    a) In the same direction
    b) In different direction
    c) Both (a) and (b)
    d) Neither (a) or (b)

Module -3
Exchange Rate Regimes and Currency Crises

74. In a managed exchange rate, the monetary authority can_____ the exchange rate.
    a) Control
    b) Influence
    c) Change
    d) reduce

75. Under the managed float the government sets_____ a within which the exchange rate can change.
    a) Range
    b) Limit
    c) Boundary
    d) territory

76. In a managed flexible exchange rate, the central bank_____ and_____ the foreign exchange.
    a) Exports, imports
    b) Buys, sells
    c) Both (a) and (b)
    d) Neither (a) or (b)

77. In an adjustable peg the exchange rate can change in either side within a _____ set by the authorities.
    a) Limit
    b) Goal
    c) Objective
    d) area

78. In a clean float, exchange rate is determined by_____.
    a) Government
    b) Central bank
    c) Market forces
    d) Commercial banks

79. In a dirty float, the central bank of the country can_____ in the exchange market.
    a) Not intervene
    b) Intervene
    c) Actively participate
    d) Control

80. Under the gold standard, the balance in BoP is attained through_____.
    a) Gold points
    b) Gold specie mechanism
    c) Gold contents of the currency
    d) Vehicle currency

81. Under the Bretton Woods system, the exchange rate is allowed to deviate either side from declared exchange rate upto _____.
    a) 4 percent
    b) 2.5 percent
    c) 1 percent
    d) 2 percent

82. In a floating exchange rate imbalance in BoP is corrected through_____.
    a) Market forces
    b) Central bank intervention
    c) Both (a) and (b)
    d) Neither (a) or (b)

83. In a managed flexible exchange rate ____ intervenes in the foreign market to control volatile exchange rate.
    a) Finance minister
    b) Central bank of the country
    c) Government
    d) Commercial banks

84. Balance of payment always balances in a _____.
    a) Normal accounting system
    b) Double entry accounting system
    c) BoP statement
    d) Single entry accounting system

85. If autonomous receipts are less than autonomous payments, the BoP is in____.
   a) Equilibrium
   b) Surplus
   c) Deficit
   d) profit

86. Currency convertibility refers to exchange of one currency into____.
   a) Gold
   b) Other assets
   c) Other currency
   d) Real assets

87. Which are the following are the causes of currency crisis?
   a) Speculation
   b) Current account deficit
   c) Political instability
   d) All the above

88. Hot money is a situation where ____takes place.
   a) Flight of foreign capital
   b) More imports
   c) Sudden inflow of foreign investment
   d) Capital inflow

89. To prevent currency crisis, it is necessary to have_____.
   a) Enough foreign exchange reserve
   b) Enough domestic money
   c) Both (a) and (b)
   d) Neither (a) and (b)

90. _____ exchange rate is determined with market forces like demand and supply without any government intervention.
   a) Real
   b) Free float
   c) Fixed
   d) Nominal

91. In exchange rate crisis, exchange rate _____ widely.
   a) Appreciates
   b) Depreciates
   c) Devaluate
   d) Revaluate

92. Strong financial system is necessary to control _____ rate crisis.
   a) Interest
   b) Repo
   c) Bank
   d) Exchange

93. ____currency is a widely accepted currency in international market.
   a) Transport
   b) Vehicle
   c) Golden
   d) Euro

94. Most of the developing countries have now opted_____exchange rate.
   a) Fixed
   b) Flexible
   c) Managed Float
   d) Spot

95. Huge_____term foreign debt leads to exchange rate crisis.
   a) Short
   b) Medium
   c) Long
   d) Very long

Module – 4
International Monetary System

96. Under gold standard exchange rate was determined by _____.
   a) Gold contents of each currency
   b) By the government
   c) By the central bank
   d) By the commercial banks

97. Under gold standard exchange rate can fluctuate upto _____.
   a) Gold specie mechanism
   b) Gold point
   c) Gold point plus transport cost
   d) Gold point plus depreciation cost

98. For the gold standard to work, member should follow_____.
   a) Gold species mechanism rule

b) To produce more gold
c) Both (a) and (b)
d) Neither (a) or (b)

99. The IMF had _____ members as on October 2021.
   a) 187
   b) 189
   c) 190
   d) 192

100. Under Bretton Woods system, the exchange rate system was called _____.
   a) Gold exchange standard
   b) Dollar standard
   c) Both (a) and (b)
   d) Reserve system

101. Under IMF exchange rate was allowed to change _____ either side.
   a) 2.5 percent
   b) 1 percent
   c) 2 percent
   d) 3 percent

102. Bretton Woods system collapsed due to _____.
   a) Inability of USA to convert official dollar held by other countries into gold.
   b) Less production of gold by other countries
   c) Rest of the world demanded more dollar
   d) All of the above

103. Maastricht Treaty was held in _____.
   a) 1990
   b) 1992
   c) 1994
   d) 1996

104. Euro in non-currency form was introduced in _____.
   a) 1999
   b) 1995
   c) 2000
   d) 2002

105. There was no need to exchange currencies _____.
   a) In European Union

b) In Euro area
c) In all European countries
d) In few European nations

106. Euro-currency is_____.
    a) Euro
    b) Dollars deposited outside USA
    c) Japanese yen deposited in Japan
    d) Dollars deposited in USA

107. The growth of Euro-currency was due to_____.
    a) Cold war
    b) Decline in the importance of British Pound
    c) Increase in USA's BoP deficit
    d) All the above

108. Global economic crisis was due to_____.
    a) Real estate bubble
    b) Currency crisis
    c) Balance of payment problem
    d) Population problem

109. Sub-prime loan is _____.
    a) Lending generously
    b) Lending without sufficient collateral security
    c) Excess lending
    d) Less lending

110. Securitization refers to_____.
    a) Secure loans
    b) Converting financial assets into securities
    c) Providing collateral security for loan
    d) Converting bonds into money

111. The 2008-09 financial crisis was spread to the_____.
    a) Entire world
    b) Developed countries
    c) Developing countries
    d) Third world countries

112. Impact of global crisis on India was_____.
    a) Severe

b) Moderate
c) Negligible
d) Very high

113. India is the member of _____ Asian banks.
   a) 2
   b) 1
   c) 3
   d) 4

114. There are _____ members of NDB.
   a) 5
   b) 8
   c) 7
   d) 6

115. NDB was formerly known as_____.
   a) BRICS development bank
   b) Asia bank
   c) Asian infrastructure bank
   d) National Development Bank

116. Promoting _____ development is the main objective of Asian bank.
   a) Political
   b) Economic
   c) Cultural
   d) Social

117. Gold standard as an international monetary system originated in _____ in Great Britain.
   a) 1819
   b) 1829
   c) 1835
   d) 1856

118. The _____ was abandoned during the World War I.
   a) Bretton woods system
   b) Gold standard
   c) Floating exchange rate system
   d) Managed flexible exchange rate system

119. Due to World War I, economic depression started in USA in _____.
   a) 1925

b) 1927

c) 1927

d) 1929

120. Under Bretton Woods System, the _____ accepted as an international reserve currency.

   a) US Dollar

   b) Japanese Yen

   c) Chinese Yuan

   d) Russian Rubble

121. The Maastricht treaty was signed on 7th February _____.
   a) 1990
   b) 1991
   c) 1992
   d) 1993

122. Monetary measures were crucial to tackle _____ financial crisis.
   a) Indian
   b) American
   c) Global
   d) European

123. New Development Bank (NDB) was formerly known as _____ development Bank.

   a) SAARC

   b) ASEAN

   c) NAFTA

   d) BRICS

124. The United States of America adopted the gold standard in the year_____.
   a) 1879
   b) 1880
   c) 1884
   d) 1887

125. In World War I,_____was worst sufferer.

   a) India

   b) USA

   c) Germany

d) Russia

126. The Maastricht Treaty was formerly known as European _____.
   a) Council
   b) Community
   c) Union
   d) Market

127. The global financial crisis started in_____.
   a) Great Britain
   b) USA
   c) UAE
   d) India

128. The Asian Infrastructure Investment Bank (AIIB) was established in
   ____. a) 2012
   b) 2014
   c) 2015
   d) 2017

129. _____is the current president of AIIB.
   a) D.J.Pandian
   b) Martin Kimming
   c) J.N.Liqun
   d) Raghuram Rajan

130. _____bank was formerly known as BRICS Development Bank.
   a) New Development bank
   b) World Bank
   c) Asian Development Bank
   d) Asian Infrastructure Investment Bank

131. The headquarters of New Development Bank is in_____.
   a) Germany
   b) Russia
   c) China
   d) Japan

132. The period from _____is considered as the main period of operation of gold standard.
   a) 1850 to 1872
   b) 1870 to 1914

c) 1862 to 1912
d) 1832 to 1900

133. A phrase "Rules of the Game" was coined by _____.
    a) Alfred Marshall
    b) David Ricardo
    c) Karl Marx
    d) J. M. Keynes

134. _____ was also held responsible for waves of bank failures around the world.
    a) Gold standard
    b) Bretton woods system
    c) Maastricht treaty
    d) Dollar elsewhere system

135. _____ is a fixed exchange rate system introduced under IMF.
    a) Gold standard
    b) Bretton woods system
    c) Maastricht treaty
    d) Dollar elsewhere system

136. In 1979 _____was established by the European Union.
    a) European Common Market
    b) European Custom Union
    c) European Monetary System
    d) European Integration

137. The authorized capital stock of the Asian Infrastructure Investment Bank (AIIB) is _____ billion US Dollars.
    a) 50
    b) 80
    c) 100
    d) 120

138. _____ from India, is the first elected President of New Development Bank (NDB).
    a) Mr. Y. V. Reddy
    b) Mr. D. Subbarao
    c) Mr. Urjit Patel
    d) Mr. K.V.Kamath