

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. In _____ market consumers and firms can select between domestic commodities and foreign commodities.
 - a) Goods
 - b) Financial
 - c) Factor
 - d) Retail

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

4. When the net capital outflow is negative, domestic residents are buying _____ foreign assets than foreigners are buying domestic assets.
 - a) More
 - b) equal
 - c) less
 - d) High

5. $Y = C + I + G +$ _____.
 - a) MX
 - b) NX
 - c) RX

- d) VX
6. In surplus trade, Savings are _____ investments.
- Greater than
 - Equal to
 - Less than
 - Worse than
7. Imports are depending on the _____ exchange rate.
- Real
 - nominal
 - fixed
 - flexible
8. Investment expenditure of a country is depending on level of income and _____.
- Taxes
 - Interest rate
 - Consumption
 - Aggregate demand
9. In fixed exchange rate policy, the domestic interest rate must be _____ foreign interest rate.
- More than
 - equal to
 - less than
 - higher than
10. _____ are goods and services that are produced abroad and sold domestically.
- Demand
 - Supply
 - Import
 - Export
11. _____ of any country are the difference between the value of its exports and the value of its imports.
- Gross Export
 - Net Export
 - Total Demand
 - Total Supply
12. The net exports of a country are also known as the country's _____ balance.
- Trade
 - import
 - export
 - international

13. Net Capital _____ = Purchase of foreign assets by domestic residents – Purchase of domestic assets by foreigners.
- Inflow
 - Outflow
 - Receipts
 - Payment
14. A country's _____ and investments are important to its long run economic growth.
- Income
 - Expenditure
 - Output
 - Saving
15. National saving is the income of the nation that is left after paying for _____ consumption and government purchases.
- Current
 - Future
 - Short run
 - Long Run
16. When country's saving exceeds its domestic investment, its net capital outflow is _____.
- More
 - Less
 - Positive
 - Negative
17. Real and _____ exchange rates are closely related to each other.
- Nominal
 - Constant
 - Current
 - Flexible
18. In fixed exchange rate policy _____ policy is ineffective.
- Trade
 - Monetary
 - Bank rate
 - Fiscal
19. Openness is _____ markets is the ability of firms to choose where to locate production, and of workers to choose where to work.
- product
 - Factor
 - Money

- d) Capital
20. Openness in _____ market is the economy buys and sells stocks and bonds in world financial markets.
- a) Goods
 - b) Labour
 - c) Financial
 - d) factor
21. Saving = _____ + Net Export
- a) Import
 - b) Expenditure
 - c) Rate of interest
 - d) Investments
22. In trade surplus, saving is _____ to investment.
- a) Greater than
 - b) Less than
 - c) Equal to
 - d) Inversely related
23. In trade deficit, net capital outflow is _____ zero.
- a) Greater than
 - b) Less than
 - c) Equal to
 - d) Inversely related
24. When foreign income increases, exports _____.
- a) Increases
 - b) Decreases
 - c) Remains stable
 - d) Changes
25. Investments depends upon income and _____.
- a) Consumption
 - b) Expenditure
 - c) Rate of interest
 - d) Export

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

26. The IS curve describes equilibrium in the _____ market.
- Goods
 - Money
 - Capital
 - Foreign
27. The LM curve slopes _____ from left to right.
- Downward
 - Upward
 - Vertical
 - Horizontal
28. The demand for real money balances depends on the level of real _____ and the interest rate.
- Expenditure
 - Saving
 - Income
 - Consumption
29. Investments and _____ are directly related.
- Factors of production
 - Rate of interest
 - Output
 - Rate of exchange
30. The _____ is determined by demand for money and supply of money.
- Investment
 - Saving
 - Consumption
 - Rate of interest
31. According to Mundell- Fleming model, _____ balance refers to equilibrium in balance of payments.
- Internal
 - External
 - International
 - Domestic
32. Expenditure changing policies are related with monetary and _____ policies.
- Internal

- b) International
- c) Trade
- d) Fiscal

33. Contractionary fiscal policy refers to a reduction in _____ expenditure and increase in taxes.

- a) Individual
- b) Corporate
- c) Government
- d) Foreign

34. The IS curve slopes _____ from left to right.

- a) Upward
- b) Downward
- c) Horizontal
- d) Vertical

35. The LM curve describes equilibrium in the _____ market.

- a) Goods
- b) Factor
- c) Money
- d) Capital

36. The Mundell- Fleming model model portrays the relationship between _____ exchange rate and economy's output.

- a) Real
- b) Nominal
- c) Fixed
- d) Flexible

37. 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

38. Supply of money of the country is controlled by _____ bank.

- a) Central
- b) Commercial
- c) Cooperative

d) Local

39. 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

40. In contractionary monetary policy, interest rates _____.

- a) Increases
- b) decreases
- c) remains constant
- d) Becomes zero

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

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

42. The IS curve shifted to right side when government expenditure _____.

- a) Increases
- b) Decreases
- c) Remains constant
- d) Becomes zero

43. 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

44. Arbitrage refers to

- Arbitrary exchange rate between two markets
- Purchase and sell of an asset for the same price
- Purchase of an asset in a low-price market and its sale in a higher price market
- None of the above

45. Consumption depends positively on _____ income

- Disposable
- Gross
- Corporate
- Induced

46. Investment negatively related with _____.

- Consumption
- Production
- Real interest rate
- saving

47. Imports depend positively on both output and _____.

- Real exchange rate
- Investment
- Production
- Consumption

48. For the determination of interest rate in the basic IS-LM Model, the condition is that the supply of money should be _____ the demand for money.

- Greater than
- Less than
- Equal to
- Unrelated to

49. Under fixed exchange rate the central bank gives up _____ policy as a policy instrument.

- Monetary
- Fiscal
- Trade
- International

50. In Mundell- Fleming Model, internal balance refers to _____ employment.

- Under
- Over
- Full
- Zero

Module 3 – Exchange rate regimes and Exchange rate crisis

51. _____ 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
52. Under _____ exchange rate system, exchange rate was fixed in terms of gold contents of member country's currency.
- Flexible
 - Fixed
 - Fluctuating
 - Nominal
53. Fixed exchange rate promotes _____ and investments.
- Saving
 - Consumption
 - International Trade
 - Interest Rate
54. _____ exchange rate permits independent internal policies to the countries.
- Flexible
 - Fixed
 - Real
 - Nominal
55. _____ exchange rate is determined with market forces like demand and supply without any government intervention.
- Real
 - Free float
 - Fixed
 - Nominal
56. _____ exchange rate ensures equilibrium in balance of payments of the countries.
- Fixed
 - Flexible
 - Real
 - Nominal

57. In exchange rate crisis, exchange rate _____ widely.
- Appreciates
 - Depreciates
 - Devalue
 - Revalue
58. Strong financial system is necessary to control _____ rate crisis.
- Interest
 - Repo
 - Bank
 - Exchange
59. _____ currency is a widely accepted currency in international market.
- Transport
 - Vehicle
 - Golden
 - Euro
60. _____ exchange rate promotes international cooperation.
- Fixed
 - Flexible
 - Managed flexible
 - Internal
61. Irrational speculation leads to _____ effect in international market.
- Snob appeal
 - Bandwagon
 - Negative
 - Veblen
62. _____ exchange rate does not react quickly to market forces.
- Flexible
 - Fixed
 - Forward
 - Spot
63. Most of the developing countries have now opted _____ exchange rate.
- Fixed
 - Flexible
 - Managed Float

d) Spot

64. Huge _____ term foreign debt leads to exchange rate crisis.

- a) Short
- b) Medium
- c) Long
- d) Very long

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

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

66. The Asian countries suffered from exchange rate crisis in the year _____.

- a) 1991
- b) 1995
- c) 1997
- d) 1999

67. _____ exchange rate promotes domestic stability.

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

68. _____ exchange rate does not react quickly to market forces.

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

69. _____ 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

70. _____ exchange rate is suitable for full employment.

- a) Fixed

- b) Flexible
- c) Spot
- d) Forward

71. _____ interest rate discourages investment and borrowing.

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

72. In _____ exchange rate mitigates cost of overvaluation and undervaluation.

- a) Fixed
- b) Flexible
- c) Managed Flexible
- d) Nominal

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

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

74. _____ is a situation where, one party between the lenders and borrowers has less accurate information.

- a) Symmetric information
- b) Asymmetric information
- c) Adverse selection
- d) Moral hazard

75. India experienced a minor currency crisis in _____.

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

Module 4 – International Monetary History – 1900 - Present

76. Gold standard as an international monetary system originated in _____ in Great Britain.
- 1819
 - 1829
 - 1835
 - 1856
77. The _____ was abandoned during the World War I.
- Bretton woods system
 - Gold standard
 - Floating exchange rate system
 - Managed flexible exchange rate system
78. Due to World War I, economic depression started in USA in _____.
- 1925
 - 1927
 - 1927
 - 1929
79. Under Bretton Woods System, the _____ accepted as an international reserve currency.
- US Dollar
 - Japanese Yen
 - Chinese Yuan
 - Russian Rubble
80. The objective of Exchange Rate Mechanism (ERM) was to reduce exchange rate variability and to achieve _____ stability.
- Fiscal
 - Monetary
 - Internal
 - International
81. The Maastricht treaty was signed on 7th February _____.
- 1990
 - 1991
 - 1992

d) 1993

82. Monetary measures were crucial to tackle _____ financial crisis.

- a) Indian
- b) American
- c) Global
- d) European

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

- a) SAARC
- b) ASEAN
- c) NAFTA
- d) BRICS

84. The United States of America adopted the gold standard in the year_____.

- a) 1879
- b) 1880
- c) 1884
- d) 1887

85. In World War I, _____ was worst sufferer.

- a) India
- b) USA
- c) Germany
- d) Russia

86. The Maastricht Treaty was formerly known as European _____.

- a) Council
- b) Community
- c) Union
- d) Market

87. The global financial crisis started in_____.

- a) Great Britain
- b) USA
- c) UAE
- d) India

88. The Asian Infrastructure Investment Bank (AIIB) was established in_____.

- a) 2012
- b) 2014
- c) 2015
- d) 2017

89. _____ is the current president of AIIB.

- a) D.J.Pandian
- b) Martin Kimming
- c) J.N.Liqun
- d) Raghuram Rajan

90. _____ bank was formerly known as BRICS Development Bank.

- a) New Development bank
- b) World Bank
- c) Asian Development Bank
- d) Asian Infrastructure Investment Bank

91. The headquarters of New Development Bank is in _____.

- a) Germany
- b) Russia
- c) China
- d) Japan

92. 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

93. A phrase "Rules of the Game" was coined by _____.

- a) Alfred Marshall
- b) David Ricardo
- c) Karl Marx
- d) J. M. Keynes

94. _____ 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

95. _____ is a fixed exchange rate system introduced under IMF.
- Gold standard
 - Bretton woods system
 - Maastricht treaty
 - Dollar elsewhere system
96. Under _____ system a country adopts another nations currency as its own legal tender.
- Gold standard
 - Bretton Woods system
 - Maastricht Treaty
 - Dollarization
97. In 1979 _____ was established by the European Union.
- European Common Market
 - European Custom Union
 - European Monetary System
 - European Integration
98. Austerity measures are related with reduction in _____ expenditure.
- Consumption
 - Investment
 - Government
 - Private
99. The authorized capital stock of the Asian Infrastructure Investment Bank (AIIB) is _____ billion US Dollars.
- 50
 - 80
 - 100
 - 120
100. _____ from India, is the first elected President of New Development Bank (NDB).
- Mr. Y. V. Reddy
 - Mr. D. Subbarao
 - Mr. Urjit Patel
 - Mr. K.V.Kamath