

2x5=10.

Answer any 5 questions.

1. The LM curve is derived with the assumption that:

- a)  $M_s$  is exogenous. b)  $M_d$  is exogenous c) both a & b  
d) none.

2. By classical dichotomy in macroeconomics we mean

- a) The variables are both real and nominal.  
b) The nominal variables influence the real variables.  
c) Changes in the real sector affect - the real sector only.  
d) Changes in the real sector affect - the real sector and changes in the nominal sector do not - affect - the real sector.

3. Crowding out - occurs when

- a) Expansionary monetary policy causes the interest-rate to rise.  
b) Expansionary fiscal policy causes interest-rate to rise, reducing private spending, particularly investment.  
c) Both a & b.

4. Friedman's restatement of the quantity theory is a

- Theory of output and price.
- Theory of demand for money.
- Theory of demand and supply of money.

5. By high-powered money we mean:

- Total supply of currencies.
- Sum of Commercial bank reserves and currency held by the public.
- None of the two.

6. Sacrifice ratio is computed by

- old ratio - New ratio
- old ratio  $\div$  New ratio
- New ratio  $\div$  old ratio

7. Contractionary Open Market-Operations are resorted to when:

- There is inflation in the economy.
- There is unemployment in the economy.
- None of the two.



8. The worker's misperception model is :

- a) An aggregate demand model.
- b) An aggregate supply model.
- c) An aggregate DD-SS model.

9. The long-run Phillips curve is

- a) A vertical line.
- b) A horizontal line.
- c) Partly vertical and partly horizontal
- d) none of the above.