

CHAPTER-1 | Introduction to Macroeconomics

QUIZ
PART-01

1. The study of macroeconomics deals with:
A. Individual economic units
B. Aggregate economic variables
C. International trade
D. Economic growth of a single firm (B)

Explanation: Macroeconomics focuses on aggregate economic variables like GDP, inflation, and employment rather than individual units.

2. John Maynard Keynes is credited with:
A. Developing the concept of microeconomics
B. Creating the field of macroeconomics
C. Founding the school of classical economics
D. Establishing the theory of international trade (B)

Explanation: Keynes' book The General Theory of Employment, Interest and Money (1936) gave rise to the study of macroeconomics.

3. The household sector is also known as the:
A. Consumption sector
B. Production sector
C. Government sector
D. Investment sector (A)

Explanation: The household sector includes consumers of goods and services and suppliers of factors of production.

4. Which book by Adam Smith is considered the foundation of economics?
A. Principles of Political Economy
B. The General Theory of Employment, Interest and Money
C. Inquiry into the Nature and Causes of the Wealth of Nations
D. Capital (C)

Explanation: Adam Smith's 1776 classic Wealth of Nations laid the foundation for economics as a discipline.

5. What major event in 1929 highlighted the need for macroeconomic study?
A. World War I
B. The Great Depression
C. Oil Price Shock
D. Formation of IMF (B)

Explanation: The Great Depression caused massive unemployment and output decline, leading to the rise of macroeconomic analysis.

6. Which of the following is not a feature of a capitalist economy?
A. Government control of production
B. Profit maximization as main objective
C. Private ownership of resources
D. Prices set by market forces (A)

Explanation: In a capitalist economy, production is controlled by private businesses, not by direct government intervention.

7. Which countries are examples of capitalist economies?
A. India and China
B. USA and UK
C. North Korea and Cuba
D. Bhutan and Nepal (B)

Explanation: Countries like USA, UK, Japan, Singapore, and Germany follow capitalist systems.

8. Which of the following is the main tool of macroeconomics?
A. Demand and Supply
B. Aggregate Demand and Aggregate Supply
C. Utility and Cost
D. Price Mechanism (B)

Explanation: Macroeconomics uses aggregate demand and aggregate supply as primary analytical tools.

9. Microeconomics is also called:
A. Income and Employment Theory
B. Price Theory
C. Development Theory
D. Distribution Theory (B)

Explanation: Microeconomics is often referred to as Price Theory because it studies how individual prices are determined.

10. Which sector includes exports, imports, and capital flow between countries?
A. Household sector
B. Producer sector
C. Government sector
D. External sector (D)

Explanation: The external sector involves trade and financial flows between the domestic economy and the rest of the world.