

1. What was the central reason for the emergence of macroeconomics as a separate subject?
- The Industrial Revolution
 - The Great Depression of 1929
 - Globalization
 - World War II

Explanation: The Great Depression exposed large-scale unemployment and falling output, leading economists to study the economy as a whole.

2. Which of the following is not a feature of a capitalist economy?
- Private ownership of means of production
 - Production for market
 - Family labour without wages
 - Use of wage labour

Explanation: Family labour without wages is a characteristic of traditional or subsistence economies, not capitalist ones.

3. Which book established Keynes as a foundational thinker in macroeconomics?
- Wealth of Nations
 - Principles of Economics
 - The General Theory of Employment, Interest and Money
 - The Road to Serfdom

Explanation: Keynes' 1936 book laid the foundation for modern macroeconomic analysis.

4. What is meant by 'wage labour'?
- Labour done voluntarily
 - Labour done for food
 - Labour sold in exchange for wages
 - Labour done only by government employees

Explanation: Wage labour is labour that is bought and sold in the market for wages.

5. What do households contribute to the economy?
- Only taxes
 - Only labour
 - Demand, labour, and savings
 - Only capital

Explanation: Households demand goods, supply labour, save money, and pay taxes.

6. Which sector is not one of the four major macroeconomic sectors?
- Firms
 - Government
 - External sector
 - Judiciary

Explanation: L

7. Who are considered economic agents in the economy?
- Only entrepreneurs
 - Only labourers
 - Individuals and institutions making economic decisions
 - Only banks

Explanation: Economic agents include anyone making economic decisions—consumers, firms, government, banks, etc.

8. What was Adam Smith's view about markets and self-interest?
- Government must regulate all markets
 - Markets work better when agents act in self-interest
 - Society must share everything equally
 - Trade should be banned

Explanation: Adam Smith believed self-interest in markets leads to public good through the 'invisible hand'.

9. What do we call income used to buy new machinery or expand factories?
- Wages
 - Rent
 - Investment expenditure
 - Interest

Explanation: Investment expenditure increases future production capacity.

10. What was the unemployment rate in the USA during the Great Depression (1929–1933)?
- 3%
 - 10%
 - 25%
 - 40%

Explanation: Unemployment rose from 3% to 25% in the USA between 1929 and 1933.