

India's Number 1 Education App

ECONOMICS

BOOKS - RADHA BHUGANA ECONOMICS (HINGLISH)

EXCESS DEMAND AND DEFICIENT DEMAND

Recapitulate

1. When aggregate demand equal the output produced such that the resources are fully employed the economy acheives full employment equilibrium.(True/False)

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2. Deficient demand is inflationary in nature.

(True/False)

3. Deflationary gap refers to the gap by which the actual level of aggregate demand exceeds the level of aggregate demand required to maintain full empolyment equilibirum. (True/False)

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4. Deficient demands leads to fall in output and employment.(True/False)

5. Umemployment can exist at full employment

level. (True/False)

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Fill In The Blanks

1. _policy refers to a central bank's policy to

control the supply of money in the economy.

2. The central bank_ securities to control excess demand.
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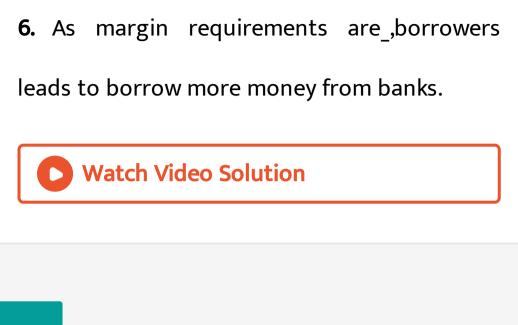
3. A_ in cash reserve ratio helps to correct deflationary gap.

4. The government_ its spending to correct

the situation of excess demand.

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5. The impact of imposition of new taxes is that it reduces_ to correct inflationary pressure.



Mcq

1. Causes of excess demand is

A. increase in money supply

B. increase in imports

C. decrease in deficit

D. none of these.

Answer: A



2. Deficient demand result in

A. fall in empolyment

B. fall in output

C. fall in price level

D. all of these

Answer: D

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3. Policy releated to revenue and expenditure

of the government is

A. monetary policy

B. fiscal policy

C. foreign trade policy

D. none of these.

Answer: B

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4. Deficient demand can be corrected by reducing

A. CRR

B. SLR

C. bank rate

D. all of these

Answer: D

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5. Component of fiscal policy

A. bank rate

B. margin requirement

C. moral suasion

D. none of these





6. Quantitiative intrument to control supply of money

A. open market operations

B. moral suasion

C. change in margin requirement

D. all of these





7. Deficient demand leads to:

A. Deflation

- B. fall in output
- C. Fall in employment
- D. all of these

Answer: D



A. monetary policy

B. fiscal policy

C. foreign trade policy

D. none of these.

Answer: B

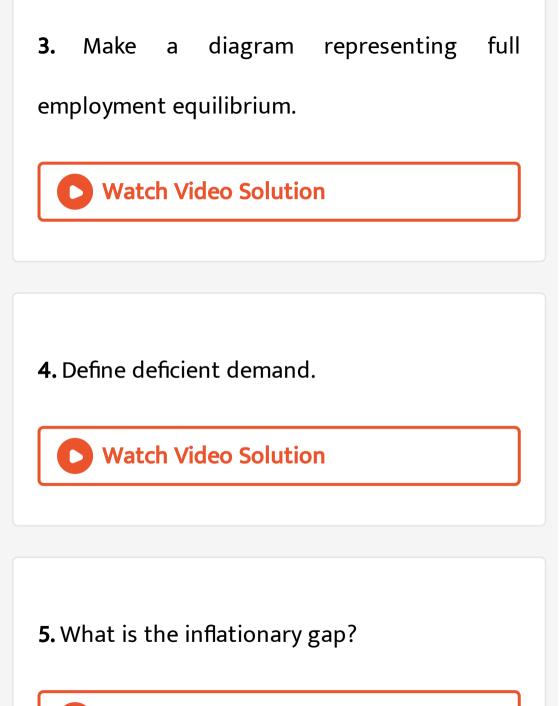
Objectives Questions

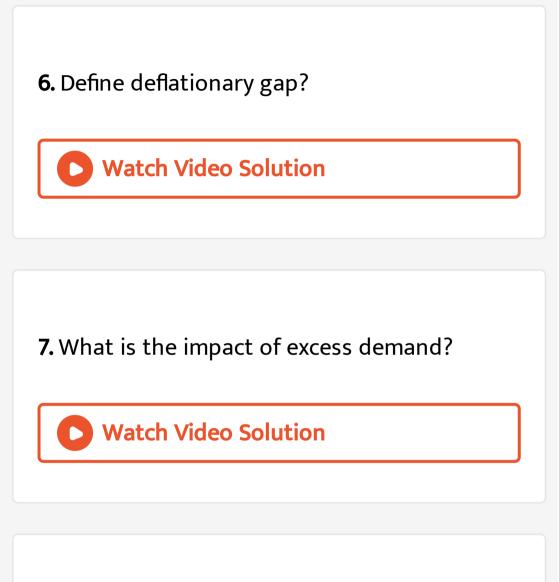
1. Defines excess demand.

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2. What is the impact of deficient demand?







8. What is the reasons for deficient demand?



1. Explain any two measures to remedy the

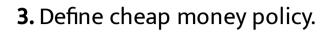
problem of excess demand in an economy.

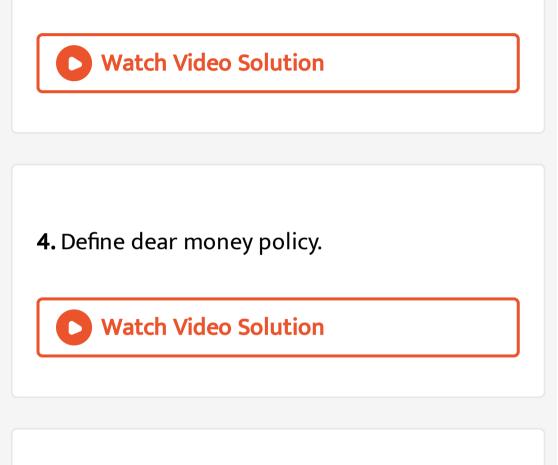


2. What are the measures to correct excess

demand?







5. What happens when (i) credit is made costlier (ii) Credit is made cheaper.





Higher Order Thinking Skills

1. Name the monetary measure indicated in the following statements. Also indicate, whetaher the following measures will be adopted during excess demand or deficit demand:

(i) RBI starts selling government securities in the open market.

(ii) Instead of 50%, now 70% of the security

amount will be given as loan.

(iii) Central bank reduces CRR.

(iv) RBI instructed not to advance loan to

producers in industrial sector in urbam areas.

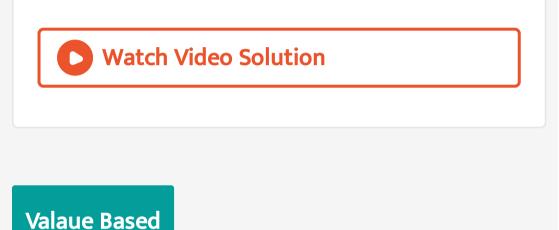


2. What is the difference between fiscal policy

and monetary policy?

3. How are excess and defficient demand in a

three sector economy corrected?



 What is deficiet demand? Explain diagrammatically.

(b) RBI refers bank rate to control dificient

demand. In your opinion when will rate be an

effective measure?



2. Increases in money supply causes aggregate

inflation. Comment. What can be done to

reduce the level of money supply at our end?



1. Explain the meaning of deflationary gap with

the help of a diagram.

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2. What is meant by inflationary gap ? State

three measrues to reduce this gap.

3. Give meaning of deficient demand.

Or

When does a situation of deficient arise in the

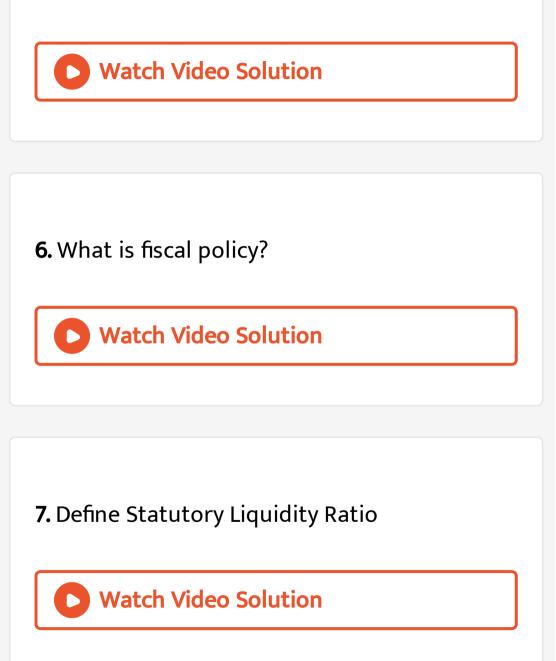
economy?

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4. Name any two policy measures to reduce

inflatinary gap (or to reduce excess demand).

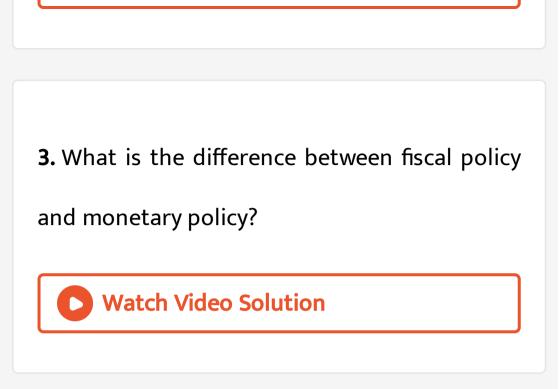
5. What is monetary policy?



 Explain the role of taxation and government expenditure in reducing aggregate demand in an economy.

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2. Explain the role of cash reserve ration and bank rate in reducing aggregate demand in an economy.



4. Explain how controlling money supply is

helpful in reducing excess demand?

5. How does increase in taxes help to control

the situation of excess demand?

OR

Explain the role of taxation in reducing excess

demand.

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Long Answer

1. Give the meaning of excess demand in an economy with the help of a diagram. Explain the role of bank rate in correcting it.



- **2.** Explain the role of the following in correcting the deflationary gap in an economy:
- (i) Open market operation
- (ii) Bank rate



3. Explain the role of the following in correcting excess demand in an economy (i) Bank rate (ii) Open market operations.



4. Distinguish between infitionary gap and

deflationary gap. State two measures by which

these can be corrected.



5. What is deficient demand? Explain the role

of Bank Rate in removing it.



6. What is excess demad? Explain the role of

Reverse Reop Rate in removing it.

