



ECONOMICS

BOOKS - SANDEEP GARG ECONOMICS (HINGLISH)

EXCESS DEMAND AND DEFICIENT DEMENT

Others

1. Distinguish between inflationary gap and deflationary gap. Show deflationary gap on a diagram Can this gap exist at equilibrium level of income? Explain.



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2. State the treatment of following measures by central bank during excess demand. (i) Bank rate:

(ii) Margin requirements (iii) Open market operation.



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3. Name the monetary measure indicated in the following statements. Also indicate, whether the following measures will be adopted during excess demand or deficient demand.

(i) RBI starts selling Government securities to the public.

(ii) Instead of 80% now 90% of the security amount will be given as loan.

(iii) It resulted in increase in interest rate charged by commercial bank from the borrowers.

(iv) RBI advised SBI to stop advertising for home loans in order to discourage lending.

(v) Central bank reduces the amount of time and demand deposits required to be kept as reserves.

(vi) RBI instructed not to advance loans to people with income above rs 5 lakhs per annum.



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4. An excess of aggregate demand over aggregate supply always a situation of inflationary gap Defend or refute.



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5. Distinguish between full employment equilibrium and underemployment equilibrium.



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6. Discuss the situation when aggregate demand is more than aggregate supply at full employment income level.



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7. To check inflation, the central bank should reduce the cash reserve ratio.



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8. To correct the deflationary gap, money supply should be decreased.



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9. Equilibrium beyond the full employment level does not lead to rise in output level



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10. A reduction in government spending leads to fall in the income and purchasing power of the people.



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11. Sale of government securities by the central bank in the open market is an appropriate policy to check depression in the economy.



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12. Deficiency in demand has no effect on the country's output and prices.



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13. An increase in the bank rate makes borrowing costlier for the general public.



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14. The deflationary gap can be corrected by raising the level of aggregate demand.



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15. Increase in margin requirements helps to control the situation of deficient demand.



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16. Increase in margin requirements helps to control the situation of deficient demand.

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17. Inflationary gap exists when aggregate demand is greater than aggregate supply.

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18. Deflationary gap exists when aggregate demand is greater than aggregate supply at full employment level.



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19. _____ is exercised through discussions, letters and speeches to banks

A. Moral suasion

B. Selective Credit Controls

C. Margin Requirements

D. Open Market Operations

Answer: a



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20. Which of the following is not the reason for excess demand?

A. Fall in the propensity to consume

B. Reduction in taxes

C. Increase in investments

D. Deficit Financing

Answer: a



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21. Increase in cash reserve ratio will lead to:

A. Fall in Aggregate Demand

B. Rise in Aggregate Demand

C. No change in Aggregate Demand

D. None of these

Answer: a



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22. The gap by which actual aggregate demand exceeds the aggregate demand required to establish full employment equilibrium is known as _____

A. Deficient Demand

B. Deflationary gap

C. Inflationary Gap

D. Excess Demand

Answer: c



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23. Change in Government Spending is a part of :

A. Monestary Policy

B. Fiscal Policy

C. Either (a) or (b)

D. Neither (a) nor (b)

Answer: b



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24. _____ refers to the situation when aggregate supply falls short of aggregate demand corresponding to full employment level of output in the economy.

A. Deficient Demand

B. Excess Demand

C. Inflationary Gap

D. Deflationary gap

Answer: b



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25. Excess demand leads to:

A. increase in the level of employment

B. Decrease in the level of employment

C. No change in the level of employment

D. None of these

Answer: c



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26. Deficient Demand indicates:

A. Under employment equilibrium

B. Over Full employment equilibrium

C. Full employment equilibrium

D. None of these

Answer: a



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27. Monday Policy is the policy of ___ to control money and credit creation in the economy.

A. Central Government

B. Central Bank

C. Both a and b

D. None of these

Answer: b



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28. During excess demand, central bank __ the margin.

A. Decreases

B. increases

C. Removes

D. Does not change

Answer: b



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29. In the following diagram, the gap EF is termed as:



A. Inflationary Gap

B. Deflationary Gap

C. Either a or b

D. Neither a nor b

Answer: a



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30. If an economy is to control recession like most of the Euro-Zone nations, which of the following can be appropriate:

A. Reducing Repo Rate

B. Reducing CRR

C. Both a and b

D. None of a and b

Answer: c



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31. Aggregate demand can be increased by:

(choose the correct alternative)

A. increasing bank rate

B. selling government securities by Reserve

Bank of India

C. Increasing cash reserve ratio

D. none of the above

Answer: d



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32. Name the situation under which planned aggregate expenditure exceeds the equilibrium level of expenditure.



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33. What is the meant by excess demand in Macroeconomics?



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34. Define inflationary gap.



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35. What does inflationary gap measure?



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36. Name the situation under which aggregate demand is insufficient to eliminate involuntary unemployment.



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37. Give meaning of deficient demand in macroeconomics



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38. Define deflationary gap.

Or

Give the meaning of deflationary gap.



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39. What is the impact of excess demand and deficient demand on the price level?



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40. State the impact of excess demand on production and employment.



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41. What is the impact of deficient demand on production and employment?



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42. When does the situation of deficient demand on production and employment?



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43. State two measures by which a central bank can attempt to reduce the inflationary gap.



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44. How does the instrument of open market operating help during deficient demand?



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45. What happens when the credit availability is restricted and credit costlier?



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46. what happens when the credit availability is restricted and credit made costlier?



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47. What is the impact of decrease in margin requirements?



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48. Does the situation of excess demand arise?
How do you measure it ? Show it with the help of a diagram.



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49. What is the impact of excess demand on output, employment and prices?



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50. Explain the meaning of inflationary gap with the help of a diagram.

Or

Explain the meaning and implications of inflationary gap.



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51. Explain the meaning of deflationary gap with the help of a diagram.



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52. Explain the situation of deficient demand in an economy with the help of a diagram.



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53. Explain the role of bank rate in dealing with the problem of deficient demand.



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54. How can a central bank control excess demand in an economy by making changes in the legal reserve requirements?



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55. Explain any two measures to remedy the problem of excess demand in an economy.



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56. Decrease in the money supply helps in controlling the situation of excess demand in an economy Comment.



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57. Would you advocate expansion or contraction of money supply during excess demand?



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58. How can increase in the government expenditure solve the problem of deficient demand?

Or

Explain how can government spending be helpful in removing deficient demand.



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59. Discuss the role of government in correcting excess demand with the help of a diagram.



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60. Explain the role of margin requirements in dealing with the problem of excess demand.



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61. What role does government expenditure play to control deficient demand in a three-sector economy? Use diagram?



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62. Explain the role of "open market operations" in controlling the inflationary gap.



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63. 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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64. What is meant by Repo Rate? How does the Central Bank use this measure to control inflationary conditions in an economy?



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65. Explain how controlling money supply is helpful in reducing excess demand.



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66. What is meant by Margin Requirements?

How does the Central Bank use this measure to control deflationary conditions in an economy?



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67. What is meant by inflationary gap ? State

three measures to reduce this gap.



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68. Explain the concept of inflationary gap with the help of a diagram. What is its impact on output, employment and price level in the economy?



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69. Explain the problem of excess demand in an economy with the help of a diagram. Explain the role of bank rate in correcting it.



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70. Explain the concept of excess demand in macroeconomics. Also explain the role of open market operation in correcting it.

OR

What is excess demand in macroeconomics/ show the same in a diagram. Explain the role of open market operations in reducing it.



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71. Discuss, in brief, the meanings of deficient demand and deflationary gap with the help of a diagram Also, discuss the effect of deficient demand on output, employment and price level.



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





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73. How does money supply help in controlling the situation of deficient demand?



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



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75. Explain the concept of deflationary gap
Also explain the role of margin requirements in reducing it.



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76. Explain the concept of deficient demand in macroeconomics. Also explain the role of Bank Rate in correcting it.



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77. Explain the concept of inflationary gap. Also explain the role of legal reserves in reducing it.



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78. Explain the meaning of under-employment equilibrium. Explain two measures by which full employment equilibrium can be reached.



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79. Distinguish between inflationary gap and deflationary gap. State two measures by which these can be corrected.



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80. Explain the meaning of inflationary gap and deflationary gap with the help of diagrams.



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81. Explain the meaning of inflationary gap and deflationary gap . Explain any one measure by which these gaps can b e reduced.



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82. Explain the concept of infaltionary gap
Explain the role of Repo Rate in reducing this gap.



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83. What is excess demand? Explain the role of Reverse Repo Rate in removing it.



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84. What is inflationary gap? Explain the role of Cash Reserve Ratio in removing this gap.



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85. How does change in taxes help to control the situation of excess and deficient demand ?



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86. Explain the situation of deficient demand in an economy. Also explain the role of Repo Rate in correcting this.



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