

(2)

- (iii) National product
 - (iv) National wealth
- (b) In classical theory of employment, what ensures the perfect clearing of the labour market?
- (i) Flexibility of interest rate
 - (ii) Flexibility of wage rate
 - (iii) Flexibility of price of the commodity
 - (iv) Classical assumption of perfect competition in the product market
- (c) Define the concept of effective demand.
- (d) Marginal propensity to consume can be always between
- (i) 0 and 1
 - (ii) 1 and 2
 - (iii) 10 and 20
 - (iv) None of the above

(3)

- (e) Investment multiplier can be obtained from (symbols have the usual meaning)

(i) $\frac{1}{1 - \frac{\Delta C}{\Delta Y}}$

(ii) $\frac{1}{1 - \frac{\Delta C}{\Delta S}}$

(iii) $\frac{1}{1 + \frac{\Delta C}{\Delta S}}$

(iv) $\frac{1}{1 + \frac{\Delta C}{\Delta Y}}$

- (f) The speculative demand for money according to Keynes is a function of
- (i) rate of interest
 - (ii) level of income
 - (iii) level of savings
 - (iv) level of output