Principles of Economics (English Medium) - ICOM Part 1 Economics English Medium Chapter 13 Short Questions Preparation

Q1. Write four characteristics of trade cycles.

Ans 1: 1. Enveloping effects.
2. Social effects.
3. Not the same duration
4. International in nature.

Q2. Write the characteristics of the phase of boom of a trade cycle.

Ans 1: Following are the characteristics of this phase.
i. Aggregate demand a peak level.
ii. Prices are at highest level.
iii. Profits are at maximum level.
iv. Investment is a peak level.
v. Employment is at maximum level.
vi. Highest production level.
vii. Maximum income level.

Q3. What is multiplier ?

Ans 1: Multiplier means the multiple changes in national income due to change in investment. It is defined as the ratio of change in national Income to change in investment. It is denoted by K.

Q4. What is meant by recession in trade cycle ?

Ans 1: When economic activities are operating downward known as recession. After every rise there is a fall, so recession is a slowness in business activities. This phase starts after boom phase.

Q5. Define modern theory of trade cycle.

Ans 1: This theory was presented by J.R Hicks. According to him, the trade cycles occur due to interaction of multiplier and accelerator.

Q6. What is marginal efficiency of capital (MEC) ?

Ans 1: The expected rate of profit from a business is known as marginal efficiency of capital.

Q7. Define trade cycle.

Ans 1: According to J.A Estay:
"Business cycles are fluctuations in general business activity that appear through, the inter-related activities".

Q8. Who did present the theory of sun-spot ?

Ans 1: This theory was given by Jevons.

Q9. How many phases of trade cycle ? Name them.

Ans 1: There are four phases of trade cycle.
1. Boom (prosperity)
2. Recession
3. Depression
4. Recovery (Revival)

Q10. Write the characteristics of the phase of depression in a trade cycle.

Ans 1: Following are the characteristics of depression phase:
i. Aggregate demand operates at lowest point.
ii. Lowest prices.
iii. Lowest profit.
iv. Lowest investment.
vii. High unemployment.
viii. Lowest income level.