

PPSC Economics Topic 4 Monetary & Fiscal Policy

Sr	Questions	Answers Choice
1	Actual equilibrium is Rs. 1,500 billion and full employment is Rs. 2,500 MPC = 0.75 taxes are zero , and prices are adjustable To eliminate the observed deflationary gap , the government should.	A. Increase G by Rs.1,000 B. Decrease G by Rs.250 C. Increase G by less than Rs.100 D. Decrease G by more than Rs.250 but less than Rs.1000
2	In the ISLM frame work a contractionary fiscal policy causes aggregate output to _____ and the interest rate to	A. Increase ; increase B. Increase ; decrease C. decrease ; decrease D. decrease ; increase
3	The money multiple tells us the ultimate increase in.	A. The income level due to an increase in the money base B. The money supply due to an increase in the money base. C. The money supply due to an increase in the income level D. The income level due to an increase in the money supply
4	A decline in the money _____ shifts the LM curve to the _____ causing the interest rate to rise and output to fall.	A. Demand ; right B. demand ; left C. supply ; right D. supply ; left
5	What technical terminology do economists use to refer to how much the money will multiply as this process unfolds.	A. The multiplier B. The money multiplier C. Required reserve ratio D. Open market operations
6	Large difference in inflation rates among countries are almost always the result of large difference in.	A. Productivity B. Real income growth C. The growth rates of real money demand D. The growth rates of nominal money supplies
7	A major advantage of monetary over fiscal policy is that monetary policy	A. Can be put into effect more quickly B. Affects all sectors of the economy equally C. Authorities are quicker to see the need for policy D. Has a more direct and predictable impact on spending.
8	Consider the five panels of the figure on the previous page in which of the five would monetary policy be the weakest.	A. Panel a B. Panel d C. Panel b D. Panel e
9	The limit of an economy's total productive capacity at any given time is set by	A. The amount of money in circulation B. Business demand for goods and services C. The level of government spending and taxation D. the quantity and quality of its productive resources
10	To move from point E to point E1 is consistent with.	A. Expectations of a constant price level B. Adaptive expectations that have no adjustment for the period immediately following a change in the actual price C. Rational expectations and NCM D. A and B
11	When your grandmother keeps her savings hidden under her mattress she is using money as.	A. a standard of deferred payment B. A comfortable thing for sleeping C. A medium of exchange D. A store of value
		A. Administer the government on the

12 The main role of the Federal Reserve is to state of the economy
B. Oversees the operations of the financial system and monetary management
C. Establish the value of the dollar and official interest rates
D. Provide advice to the government on the state of the economy

13 An increase in money demand other thing equal shifts the _____ curve to the _____ A. IS ; right
B. IS ; Left
C. LM ; Left
D. LM ; right

14 Short run contractionary Fiscal policy would result in. A. Aggregate demand moving to the right
B. Aggregate supply moving to the right
C. Aggregate demand moving to the left
D. Aggregate supply moving to the left

15 Identify the three motives of money demand. A. Accumulative
B. Speculative precautionary
C. Speculative transaction precautionary
D. Precautionary special trisection

16 Factor that cause the IS curve to shift include. A. Change in autocoups consumer spending
B. Change in taxes
C. Change in government spending
D. All of the above

17 Total utility of a commodity is measured by which price of that commodity. A. Value in use.
B. Value in exchange
C. Both of above
D. None of above

18 An increase in money _____ shifts the LM curve to the _____ causing the interest rate to fall and output to rise A. demand ; right
B. demand ; left
C. supply ; right
D. supply ; left

19 In the ISLM framework an expansionary monetary policy causes aggregate output to _____ and the interest rate to A. increase ; increase
B. Increase ; decrease
C. decrease ; decrease
D. decrease ; increase

20 A decrease in fully autonomous investment other things equal shifts the _____ curve to the A. IS ; right
B. IS ; Left
C. LM ; Left
D. LM ; right