

## PPSC Economics Topic 4 Monetary & Fiscal Policy

Sr	Questions	Answers Choice
SI	Questions	
1	Fiscal policy refers to the manipulation of government income and expenditure to.	A. control the volume and price of money     B. Limit the rate of increaes in incomes     C. Effect the value of the dollar on world financial market.     D. Affect the level of total expenditure output and employment
2	Suppose velocity is constant and the real income elasticity of the demand for money is less than one then estimating inflation as money growth rate minus real growth rate.	A. Overestimates inflation     B. Underestimates inflation     C. Is an erratic estimate of inflation     D. Remain an accurate estimate of inflation.
3	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
4	Which of the following causes M1 demand is decrease.	A. A fall in the tax rate B. An increase in income C. A fall in the interest rate D. An increase in the use of credit cards
5	What is the significance of underestimating transactions money.	A. Monetary policy will be over simulating the economy B. Monetary policy will be putting a drag on the economy C. there is a need for money that the central bank should be meating. D. The economy has too much money and there frore not enough spending.
6	A decrease in the quantity of money supplied shifts the money supply curve to the and the LM curve to the	A. right; left B. right; right C. left; left D. left; right
7	" A growing number of economists view the Fed's new willingness to take on more of the nation's debt as inflationary in the long run." This inflation worry is because.	A. The government may tax less B. The debt may become excessive C. The government may spend more D. The money supply may increase excessively
8	A bonds becomes a riskier asset the demand for money and all else constant, the equilibrium interest rate	A. Rises ; rises B. rises ; falls C. falls ; rises D. falls ; falls
9	The market price of bonds can fluctuate depending on	A. How many bonds were sold B. Who bought the bonds C. The amount of the coupon D. The interest rate
10	An increase in autonomous consumer expenditure causes the equilibrium levelof aggregate output to at any given interest rate and shifts the curve to the	A. rise; LM; right B. rise; IS; right C. fall; LM, Left D. rise; IS; Left
11	A decline in the money supply shifts the LM curve to the left causing the interest rate to and output to	A. rise; rise B. rise; fall C. fall; rise D. fall; fall
12	If Federal reserve conducts open market sales, the money supply shifting the LM curve to the	A. decreases; right B. decreases; left C. Increases; right D. Increase; left
13	The real money demand doubles while the nominal money supply is unchanged what happens to the price level.	A. The price level increase by a factor of four B. The price level doubles

C. The price level is unchanged D. The price level falls by one half. A. Change in autocoups consumer spending B. Change in taxes
C. Change in government spending 14 Factor that cause the IS curve to shift include. D. All of the above A. 40 percent and Rs. 4,000,000 The money multiplier is 4, and the money creating potential of the banking system is Rs. 40,000,000. The legal reserve ratio and the excess reserves are. B. 40 percent and Rs. 10,000,000 C. 25 percent and Rs. 2.500,000 15 D. 25 percent and Rs.10,000,000 A. Income growth "Rising productivity does not in itself spell the end of inflation. With enough\_\_ it would B. Unemployment 16 still be possible to whip prices into a froth the blank is best filled with. C. Money growth D. Taxes A. Lags are long and variable B. the economy cna be stabilized by automatic mechanisms 17 Believers in the monetarist rule assert that C. The central bank should keep the money supply growth constant D. All of the above A. IS; right B. Is; Left 18 A decrease iin money demand other thing equal shifts the curve to the  $\mathsf{C.}\;\mathsf{LM}\;;\;\mathsf{Left}\;$ D. LM; Rfight A. Low; smaller; high B. Low; larger; high C. low; smaller; middle D. High; larger; low Keynes suggested that income households consume a \_\_\_\_ proportion of their 19 income than \_\_\_\_ income households. A. The general level of money wages B. The level of government expenditure 20 Monetary policy is concerned with influencing. C. The price and availability of D. The level of shares on the stock market