

## PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	Economists use the phrase ceteris paribus to express the assumption.	<p>A. All else equal</p> <p>B. Everything affects everything else.</p> <p>C. Scarcity is a fact of life</p> <p>D. There is no such thing as a free lunch</p>
2	Real business cycle theorists think that most business cycle fluctuations are caused by shocks to.	<p>A. The production function</p> <p>B. The size of the labor force</p> <p>C. The real quantity of government purchases</p> <p>D. The spending and saving decisions of consumers</p>
3	Which policy is an expenditure switching policy.	<p>A. Increase in the money supply</p> <p>B. Decrease in government expenditures</p> <p>C. Increase in business and household taxes</p> <p>D. Decrease in import tariffs</p>
4	Which of the following changes shifts the SRAS curve up.	<p>A. An increase in the labor force</p> <p>B. A decrease in government purchases</p> <p>C. An increase in firms costs</p> <p>D. An increase in the money supply</p>
5	Given the saving equation $S = -50 + 0.20Y$ , where $s$ is saving and $Y$ is income.	<p>A. The break even level of income is 240</p> <p>B. Dissaving takes place if income is 300</p> <p>C. Consumption expenditures and saving are equal at an income level of 500</p> <p>D. The MPS is constant for all levels of income</p>
6	Given fixed exchange rate assume Pakistan initiates expansionary monetary and fiscal policies to combat recession these policies will also.	<p>A. Increase both imports and exports</p> <p>B. Increase exports and reduce import</p> <p>C. Reduce a balance of payments surplus</p> <p>D. Reduce a balance of payment deficit</p>
7	Which of the following macroeconomic variables is procyclical and lags the business cycle.	<p>A. Business fixed investment</p> <p>B. Employment</p> <p>C. Stock prices</p> <p>D. Nominal interest rates</p>
8	If the expected rate of inflation rose at the same time the natural rate of unemployment rose the Philips curve.	<p>A. would shift down</p> <p>B. would shift up</p> <p>C. Would not move</p> <p>D. Might shift up or down or not move depending on which effect was larger.</p>
9	If the economy is in equilibrium at Rs. 180 billion and taxes are reduced by Rs.20 billion, find the new equilibrium given that this is a simple economy i.e. exogenous government spending tax collection and investment spending and a marginal propensity to consume of .75	<p>A. 60</p> <p>B. 200</p> <p>C. 250</p> <p>D. 240</p>
10	in the keynesian model in the short run the amount of employment is determined by the effective labor demand curve and the level of.	<p>A. Prices</p> <p>B. Output</p> <p>C. The real interest rate</p> <p>D. The supply of labor</p>
11	In the Keynesian model which curve is vertical.	<p>A. LRAS</p> <p>B. SRAS</p> <p>C. AD</p> <p>D. NS</p>
12	Suppose there is full employment and positively sloped aggregate supply schedule A decreases in taxes increases.	<p>A. The price level and real output</p> <p>B. the price level but has no effect on real output</p> <p>C. Real output but has no effect on ..</p>

		the price level D. The nominal and real wage
13	According to Keynesian macro economics price adjust _____ to shocks, so the government should.	A. Slowly ; do little B. Rapidly ; do little C. Rapidly ; fight recessions D. Slowly ; fight recessions
14	As the economy nears full capacity the short run aggregate supply curve	A. Stagflation B. Structural inflation C. Demand side inflation D. Supply side inflation
15	What is the average money balance according to the square root rule if income is Rs.1500, each transaction cost is Rs.4, and the opportunity cost of holding money is.2%	A. 387 B. 50 C. 175 D. 203
16	A change that increases the real money supply relative to real money demand causes.	A. The LM curve to shift down and to the right. B. The LM curve to shift up and to the left C. The IS curve to shift down and to the left D. The IS curve to shift up and to the right.
17	If the expected inflation rate is unchanged a fall in the natural rate of unemployment would.	A. shift the Phillips curve to the right B. Not Shift the phillips curve C. Shift the Phillips curve to the left D. shift the Phillips curve to the left shift the long -run Philips curve to the right
18	The equation for the LM curve is.	A. $Y = 100 - 50 i$ B. $Y = 50 + 50 i$ C. $Y = 50 - 80 i$ D. $Y = 80 + 50 i$
19	The IS curve shows the combinations of output and the real interest rate for which.	A. The goods market is in equilibrium B. The labor market is in equilibrium. C. The financial assets market is in equilibrium D. An increase in output will cause the market clearing interest rate to be bid up.
20	Changes in subjective or objective factors.	A. Never affect the consumption function B. Always cause downward shifts of the consumption function C. Always cause upward shifts of the consumption function D. May cause upward or downward shifts of the consumption function