

PPSC Economics Topic 3 Macro Economics

| Sr | Questions | Answers Choice |
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| 1 | According to classical economists the economy. | A. Requires fine tuning to reach full employment B. Should not be left to market forces C. Will never be at full employment D. Is self correction |
| 2 | An economic variable that moves in the opposite direction as aggregate economic activity up in is called. | A. Pro cyclical B. Countercyclical C. A cyclical D. A leading variable |
| 3 | Economic planning by enteral government agencies is primarily associated with | A. command economies B. Market economies C. Laissez faire economies D. Market faire economies |
| 4 | Fiscal policy output to change demand for output is. | A. Completely effective in region KL B. Partially effective in region JK C. Elasticity is infinite for region LT D. Completely ineffective in region LT |
| 5 | Assuming that money is neutral an increase in the nominal money supply would causes. | A. An excess supply for goods B. an increase in the real money supply C. A fall in the price level D. A rise in nominal wages |
| 6 | An economics variable that moves in the same direction as aggregate economic activity is called. | A. Countercyclical B. Proccyclical C. A cyclical D. A leading variable |
| 7 | O kun's Law states that for each percentage point by which the unemployment rate is above the natural rate real GNP is 3% below potential GNP, if real GNP is Rs. 3,800 billion with the actual level of unemployment at 6.05 and the natural rate of unemployment at 4.5% then according to Okun's law the GNP gap is. | A. 171 billion B. 684 billion C. 114 billion D. 228 billion |
| 8 | The equation for a givne production function is $Q = K^2 + KL$, initially $K = 2$ and $L = 1$ if the value of both inputs is doubled the production function exhibite. | A. Increasing returns to scale B. Diseconomies of scale C. Constant returns to scale D. Economies of scale |
| 9 | The $MPS = 0.4$ and government spending increases by 20 billion. The LM curve | A. Shifts to the right by 20 billion B. Shifts to the right by 50 billion C. Does not shift D. shifts to the left by 30 billion |
| 10 | Given a proportional income tax and a government budget that is currently in balance, an increase in autonomous investment , caters parabasal increases equilibrium income and the budget. | A. Romaic's in balnce B. Has a surplus C. Has a deficit D. None of these |
| 11 | According to Keynesians the primary source of business cycle fluctuation is. | A. Aggregate demand shocks B. Productivity shocks C. Oil price shocks D. Consumer confidence shocks |
| 12 | Which of the following methods is used for internalizaing positive externalities | A. Positive taxes B. Government exchange of property rights C. Effluent fees D. Corrective substidies |
| 13 | GDP difference between GNP because. | A. $GDP = GNP - \text{net factor payments from abroad}$ B. $GNP = GDP - \text{net factor payments from abroad}$ C. $GDP = GNP - \text{capital consumption allowances}$ D. $GNP = GDP - \text{capital consumption allowances}$. |
| 14 | Which of the following macro economic variables is the most seasonally pro cvclical. | A. Expenditure on services B. The unemployment rate |

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| | | <p>C. Expenditure on durable goods</p> <p>D. The real wage</p> |
| 15 | A group of modern economists who believe that price and wage rigidities do not provide the only rationale for macroeconomic policy activism are called. | <p>A. New Keynesians</p> <p>B. Keynesians</p> <p>C. Monetarists</p> <p>D. The Classical school</p> |
| 16 | The IS curve shows the combinations of output and the real interest rate for which. | <p>A. The goods market is in equilibrium</p> <p>B. The labor market is in equilibrium.</p> <p>C. The financial assets market is in equilibrium</p> <p>D. An increase in output will cause the market clearing interest rate to be bid up.</p> |
| 17 | A temporary decline in productivity would cause the IS curve to. | <p>A. Shift up and to the right</p> <p>B. Shift down and to the left</p> <p>C. Remain unchanged</p> <p>D. Shift up and to right only if people face borrowing constraints</p> |
| 18 | An increase in the real wage rate will cause. | <p>A. The labor demand curve to shift to the right</p> <p>B. The labor demand curve to shift to the left</p> <p>C. The quantity of labor demanded to rise</p> <p>D. A movement along the labor demand curve</p> |
| 19 | The gift exchange motive suggests that | <p>A. Workers value benefits like health insurance more than job security</p> <p>B. Workers prefer a nice work environment even if they must accept lower wages.</p> <p>C. Workers who feel well treated will work harder and more efficiently</p> <p>D. Workers will shirk if they are paid a low wage</p> |
| 20 | In the short run an increase in export sales would cause output to _____ and the price level to. | <p>A. Rise, rise</p> <p>B. Rise,; stay; constant</p> <p>C. Fall; rise</p> <p>D. fall; stay; constant</p> |