

PPSC Economics Topic 3 Macro Economics

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Sr	Questions	Answers Choice
1	Friedman and phelps suggested that there should not be a stable relationship between inflation and unemployment, but here should be a stable relationship between	A. Anticipated inflation and frictional unemployment B. Anticipated inflation and cyclical unemployment C. Unanticipated inflation and frictional unemployment. D. Unanticipated inflation and cyclical unemployment
2	Given the data above, the empirical equation for the IS curve is.	A. Y = 275 + 10 i B. Y = 225 + 50 i C. Y = 250 - 10 i D. Y = 275 - 501
3	The aggregate demand curve shows the combinations of output and the price level that put the economy on.	A. The FE line and the IS curve B. The FE line The IS curve and the LM curve C. The IS curve D. The IS curve and the LM curve
4	In a private sector model	A. Household saving is a leakage from the circular flow B. Investment is a spending injection C. All of the above D. None of the above
5	Monetary expansion can still be effective in getting out of liquidity trap if it's combined with.	A. Restrictions on bank loans B. Increased taxes C. Contractionary fiscal policy D. Expansionary fiscal policy
6	When plotted with the aggregate price level on the vertical axis and output on the horizontal axis, which of the following curves slopes downward.	A. SRAS B. AD C. LRAS D. None of the above
7	The origin of the idea of a trae off between inflation and unemployment was a 1958 article by	A. A.W Philips B. Edmund phelps C. Milton Friedman D. Robert Gordon
8	The estimated regression coefficient for good Y indicates	A. Goods X and Y are independent goods B. Good Y is relatively elastic C. Good Y is a luxury good D. Goods X and Y are complementary goods
9	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
10	Which of the following is not a category of consumption spending in the national income accounts.	A. Consumer durables B. Non durable goods C. Services D. Housing Purchases
11	When the value of output exceeds planned spending .	A. There is unsold output, and the level of income will fall B. there is unsold output and the level of income will rise C. There is unsold output, and the level of income does not change. D. All of the above
12	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
13	The risk free rate of interest would not be affected by.	A. Changes in real output B. Change in the money supply C. Term to maturity

		D. None of the above
14	In the Keynesian model short run equilibrium occurs where	A. The IS and LM curves interest B. The IS curve LM curve and FE lines intersect C. the IS curve intersects the FE line D. The LM curve intersects the FE line
15	Which of the following is incorrect with respect to the consumption diagram.	A. the interest rate is a premium B. MRS = (i +r) C. The consumer will be lender in time zero D. The consumer lends 700
16	A mathematical expression relating the amount of output produced to quantities of capital and labor utilized is the	A. Real interest rateB. Production functionC. Productivity relationD. Marginal product
17	Which policy is an expenditure switching policy.	A. Increase in the money supply B. Decrease in government expensitures C. Increase in business and household taxes D. Decrease in import tariffs
18	In the efficiency wage model with the efficiency wage above the market clearing wage when employment is at its full employment level.	A. Labor supply equals labor demand B. There is an excess supply of labor C. there is an excess demand for labor D. There could be either an excess demand for or an excess supply of labor
19	The negative relation ship between unemployment and inflation is know as the	A. Aggregate supply curve B. Aggregate demand curve C. Philipps curve D. Efficiency wage line
20	Based on the data above , the increase in potential MI would be	A. Rs.50 billion B. Rs.300 billion C. Rs.60 billion D. Rs.100 billion