

PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	For a borrower an increase in the real interest rate will lead to.	<p>A. Higher current consumption and less borrowing</p> <p>B. Higher current consumption and less saving</p> <p>C. Lower current consumption and less borrowing</p> <p>D. Lower current consumption and less saving</p>
2	According to the life cycle hypothesis consumption is related to.	<p>A. Current income</p> <p>B. Past peak income</p> <p>C. Expected lifetime income</p> <p>D. Price expectations over one's life time</p>
3	In a mixed economy the economic decisions of what to produce how to produce, and who will receive products are made by	<p>A. The government</p> <p>B. Consumers and firms</p> <p>C. Banks and stock markets</p> <p>D. Firms, consumers, and government.</p>
4	Based on the data above , the increase in potential MI would be	<p>A. Rs.50 billion</p> <p>B. Rs.300 billion</p> <p>C. Rs.60 billion</p> <p>D. Rs.100 billion</p>
5	The risk free rate of interest would not be affected by.	<p>A. Changes in real output</p> <p>B. Change in the money supply</p> <p>C. Term to maturity</p> <p>D. None of the above</p>
6	GDP difference between GNP because.	<p>A. GDP = GNP - net factor payments from abroad</p> <p>B. GNP = GDP -net factor payments from abroad</p> <p>C. GDP = GNP -capital consumption allowances</p> <p>D. GNP = GDP -capital consumption allowances.</p>
7	Whose opinions have revolutionized the scope of macro economics.	<p>A. Adam Smith</p> <p>B. J.B. Say</p> <p>C. J.M. Keynes</p> <p>D. All of the above</p>
8	In the long run, an increase in productivity would cause output to _____ and the aggregate price level to	<p>A. fall ; rise</p> <p>B. fall ; fall</p> <p>C. rise ; fall</p> <p>D. rise ; rise</p>
9	When aggregate economic activity increasing the economy is said to be in.	<p>A. An expansion</p> <p>B. A contraction</p> <p>C. A peak</p> <p>D. A turning point</p>
10	The ratio of the change in the equilibrium level of income to a change in some automats increase in spending is the	<p>A. Elasticity coefficient</p> <p>B. Multiplier</p> <p>C. Automatic stabilizer</p> <p>D. Marginal propensity of the autonomous variable</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	Country A 's GNP is increasing by 3% a year in contrast to its population growth of 2.4% The rate of growth of per capita GNP is.	<p>A. 3%</p> <p>B. 0.85</p> <p>C. 0.6%</p> <p>D. 2.4%</p>
13	You are gold the level of savings in the economy is Rs.25 billion of equilibrium Using the consumption function $C = 20 + .9 Y$, find equilibrium income .	<p>A. 250</p> <p>B. 900</p> <p>C. 450</p> <p>D. 350</p>

14	Which of the following is not a category of consumption spending in the national income accounts.	<ul style="list-style-type: none"> A. Consumer durables B. Non durable goods C. Services D. Housing Purchases
15	If the expected inflation rate is unchanged a fall in the natural rate of unemployment would.	<ul style="list-style-type: none"> 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
16	A decrease in wealth would cause the IS curve to	<ul style="list-style-type: none"> A. Shift up and to the right B. Shift down and to the left C. Remain unchanged D. Shift up and to the right only in people face borrowing constraints.
17	Peaks and trough of the business cycle are known collectively as.	<ul style="list-style-type: none"> A. Volatility B. Turning points C. Equilibrium point D. Real business cycle events
18	Using the Keynesian model the effect of an increase in the effective tax rate on capital would be to cause _____ in the real interest rate and _____ in output in the short run.	<ul style="list-style-type: none"> A. A decrease ; a decrease B. A decrease ; no change C. No change ; a decrease D. An increase ; an increase
19	The monetary base in composed of.	<ul style="list-style-type: none"> A. Gold and silver B. Currency only C. Currency and reserves D. Currency and checkable deposits
20	In the Keynesian model in the long run an increase in the money supply will raise	<ul style="list-style-type: none"> A. The price level but not the level of output B. The level of output but not the price level C. Both the level of output and the price level D. Neither the level of output nor the price level