

PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	A nation experiences internal balance if it achieves.	A. Full employment B. Price stability C. Full employment and price stability D. Unemployment and price instability
2	The practice of using fiscal and monetary policy to stabilize the economy is known as.	A. Fine tuning of demand B. Monetarism C. Laissez faire economics D. Supply side economics
3	If the expected rate of inflation rose at the same time the natural rate of unemployment rose the Philips curve.	A. would shift down B. would shift up C. Would not move D. Might shift up or down or not move depending on which effect was larger.
4	During inflation.	A. Lenders lose borrowers gain. B. Borrowers lose , lenders gain C. The real interest rate rises D. Borrowers and lenders both lose.
5	If the foreign interest rate is 12% while the domestic interest rate is 9% then the forward premium will be.	A. 1.3 % B. 12% C. 9% D. 3%
6	Desired national saving would increase unambiguously if there were	A. An increase in current output and expected future output B. An increase in expected future output and government purchases C. An increase in expected future output and the expected real interest rate D. A fall in both government purchases and expected future output
7	Which of the following changes shifts the AD curve down and to the left.	A. A temporary increase in government purchases. B. A rise in the nominal money supply C. A decrease in corporate taxes D. A decrease in consumer confidence
8	Money must fulfill all of the following functions except.	A. Be a medium of exchange B. Be a store of value C. Be generally accepted as a means of purchasing commodities D. The above are all functions of money
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	After a temporary beneficial supply shock hits the economy general equilibrium is restored by	A. A shift down and to the left of the IS curve B. A shift to the left of the FE line C. A shift up and to the left to the LM curve D. A shift down and to the right of the LM curve
11	An adverse supply shock that is permanent shifts which curve in addition to the curves shifted by. One that is temporary.	A. The LM curve B. The IS curve C. The FE line D. The labor demand curve
12	Given the IS equation $Y = K_e a - K_e B_n$ the IS slope decreases when	A. K_e increase and b increases B. K_e decreases and b increases C. K_e increases and b decreases D. K_e decreases and b decreases

13	At point of satiety marginal utility is.	A. Positive B. Negative C. Maximum D. Zero
14	The long term demand for real money balance will rise when	A. the income elasticity of the demand for money is less than unity. B. There is a long term increase in the price level C. There is a relative increase in the stock of government securities. D. Long term market interest rates are falling.
15	A decrease in the effective tax rate on capital would cause the IS curve to.	A. Shift up and to the right B. shift down and to the left C. Remain unchanged D. Remain unchanged if taxes are fully deductible from income otherwise, shift up and to the right
16	"Human Welfare is the subject of Economics" Y. This statement is associated with the name of which of the economists.	A. Marshall B. Pigou C. Pension D. All of the above
17	The fact that the Production function relating output to capital becomes flatter as we move from left to right means that.	A. The marginal product of labor is positive B. The marginal product of capital is positive C. There is diminishing marginal productivity of labor D. There is diminishing marginal productivity of capital
18	Which of the following solutions does the economist suggest to cost inflation in higher education.	A. Cutting professor salaries B. Make students live at home C. Reduce college from four to three years D. B and C
19	Real business cycle theorists think that most business cycle fluctuations are caused by shocks to.	A. The production function B. The size of the labor force C. The real quantity of government purchases D. The spending and saving decisions of consumers
20	Expansionary monetary policy	A. Tends to lead to an appreciation of nation's currency B. Usually has no effect on a currency's exchange value C. Tends to lead to a depreciation of the currencies of other nations D. Tends to lead to a depreciation of a nation's currency.