

## PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	An expenditure reducing policy would consist of a decrease in	A. The par value of a currency     B. Government expenditures     C. Import duties     D. Business or household taxes
2	In market economics the incentive that draws entrepreneurs into industry is.	A. Government bonuses for meeting production quotas B. Profit C. Government assumption of the risk of failure D. Government assistance with making output and pricing decisions
3	When planned saving equals Rs.40+0.20 Yd and planned investment is rs. 60, the equilibrium level of income in.	A. Rs. 100 B. Rs. 400 C. Rs.500 D. Rs.1000
4	The value of real GDP in the current year equals.	A. The value of current year output in prices of the base year B. The value of current year output in pries of the current year C. The value of base year output in prices of the base year D. The value of base year output in prices of the current year
5	In the expenditure approach to GDP which of the following would be excluded from measurement of GDP.	A. Government payments for goods produced by foreign firms B. Government payments for goods produced by firms owned by state of local government C. Government payments for welfare D. All government payments are included in GDP
6	Using the Keynesian model , the effect of a decrease in the effective tax rate on capital would be to cause in the real interest rate and in output in the long run.	A. An increase ; no change B. A decrease ; no change C. An increase ; an increase D. No change ; a decrease
7	Which of the following does not result in an increase in U.S. autonomous net exports.	A. The U.S. dollar depreciated B. Major trading partners stimulate their economy C. Foreign currencies depreciate D. Foreign trading partners lift tariff barriers
8	If government tax function is $T = 80 + .6 \text{ Y}$ and the marginal propensity to consume is a constant 8 and increase in GNP of Rs.50 would cause consumption to.	A. Increase by Rs.16 B. Decrease by Rs.16 C. Increase by Rs.40 D. Decrease by Rs.30
9	Which of the following is the second law of gossen.	A. Law of equal marginal utility. B. Law of equi product C. Theory of indifference curve D. Law of diminishing marginal utility.
10	When the price level increases 25% starting from a price level equal to 100, a Rs. 1000 bond will have a real value of .	A. Rs. 800 B. Rs.1250 C. Rs.750 D. Rs.666
11	The efficiency wage model can be modified to allow real wages to vary over the business cycle by assuming that.	A. Workers effort may depend on the unemployment rate and the real wage B. During a recession labor supply will decrease reducing the efficiency wage C. During a recession productivity wil fall causing a reduction in the efficiency wage D. During a boom labor demand will increase, causing the efficiency wage to rise

12	Wars new inventions, harvest failures, and change sin government policy are examples of.	A. The business cycle B. Economics models C. Shocks D. Opportunity costs
13	Given fixed change rate assume Pakistan initiates expansionary monetary and fiscal polices to combat recession these policies will also.	A. Increase both imports and exports     B. Increase exports and reduce import     C. Reduce a balance of payments surplus     D. Reduce a balance of payment deficit
14	An expansionary supply side shock results in.	A. An increased real national income B. The aggregate supply curve shifting to the left C. The aggregate demand curve shifting to the right D. The aggregate demand curve shifting to the left
15	The natural rate of unemployed is generally thought of as the.	A. Ratio of the frictional unemployment rate to the cyclical unemployment rate B. sum of structural unemployment and cyclical unemployment C. sum of frictional unemployment and cyclical unemployment D. sum of frictional unemployment and structural unemployment.
16	What tow factors should you equate in deciding how many workers to employ.	A. The marginal product of labor and the marginal product of capital B. The marginal product of labor and the real wage rate C. The marginal product of labor and the real interest rate D. The marginal product of capital and the real wage rate
17	Where there is an equal increase in net tax revenue and government spending, ceteris paribus.	A. (C+I+G) is shifting upward B. (C+I+G) is shifting downward C. (C+I+G) does not shift D. All of these
18	The fact that the long run Phillips curve is vertical implies that	A. Monetary policy can't effect unemployment B. Money is neutral in the long run C. There is a natural rate of inflation D. Money can't affect inflation in the long run
19	To ensure that the fundamental identity of national income accounting holds changes in inventories are.	A. Ignored B. Counted as consumption C. Treated as part of saving D. Treated as part of expenditure
20	Which of the following procedures is included in the process that produces a value for disposable personal income	A. subtracting excies and sales taxe B. Subtracting nonbusiness interest C. Subtracting transfer payment fror government. D. subtracting income taxes