

PPSC Economics Topic 3 Macro Economics

Qr.	Questions	Answers Choice
Sr	Questions	
1	The reason that only final sales are counted in GDP is	A. To avoid double counting good that are sold so as to be resold B. To not count production in other countries C. Because the government can't get records on intermediate sales. D. To simplify the computation and no other reason
2	Given the IS equation Y = Ke a - Ke Bn the IS slope decreases when	A. Ke increase and b increases B. Ke decreases and b increases C. Ke increases and b decreases D. Ke decreas4es and b decreases
3	The fac that the production function relating output to labor becomes flatter as wemove 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
4	"An Enquiry into the Nature and causes of wealth of Nations" is thebook of economist.	A. Adam smith B. Marshall C. Robbins D. None of above
5	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
6	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
7	The government budget surplus equals	A. Government purchases plus transfers B. Net government receipts minus government purchases C. Government purchases minus net receipts D. Government purchases minus transfers.
8	If equilibrium national income is less than the full employment the gap can be closed by.	A. Raising taxes B. Decreasing government expenditures C. Raising taxes and decreasing government expenditures. D. Increasing government expenditures.
9	All of the following are obstacles to international economic policy coordination except.	A. Different national objectives are institutions B. Different national political climates C. Different phases in the business cycle D. Different national currencies.
10	Which of the following is a NOT component of M-2.	A. Small time deposited B. Money market mutual funds C. Stocks D. Checkable deposits
11	A temporary adverse productivity shock would.	A. Shift the labor supply curve upward B. Decrease the level of employment C. Decrease future income D. Decrease the expected future

		marginal product of capital
12	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
13	A mathematical expression relating the amount of output produced to quantities of capital and labor utilized is the.	A. Real interest rate B. Productivity relation C. Production function D. Marginal product
14	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
15	Two independent variables are not independent of each other in a multiple regression problem The analyst most likely will be confronted with.	A. The problem of autocorrelation B. A type 1 error C. The problem of multicollinear rarity. D. a type II error
16	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
17	Firms hire labor at the point where the	A. Nominal wage rate equals the marginal product of labor B. Real wage rate equals the marginal revenue product of capital C. Nominal wage rate equals the marginal revenue product of labor D. Real wage rate equals the marginal revenue product of capital
18	In a model in which there is no government new investment capital replacement or international trade the market value of final output equals.	A. Aggregate consumption B. The sum of the receipts of economic resources C. The sum of wages rent interest and profit D. All of the above
19	If the rate of growth of a full employment labor forc eis 1.55 and 2.55 then the celling rate of growth of real GNP, according to Hick's theory of a constrained business cycle,is.	A. 1.5 % B. 2.55 C. 4.0% D. 1.7%
20	"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