

## PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	If the federal reserve wishes to increase the money supply, it should	A. Raise the reserve requirement B. Raise the discount rate C. Buy Treasury securities in the open the market D. All of the above
2	Given a proportional income tax and a government budget that is currently in balance, an increase in autonomous investment , caters parabal increases equilibrium income and the budget.	A. Romaic's in balnce B. Has a surplus C. Has a deficit D. None of these
3	If the sampi is accepted as coming from a universe with a mean of Rs.500 or greater when if doesn't.	A. A Type II error is made B. A type I error is mad C. The alternative hypothesis is correct. D. A and C are correct
4	The aggregate demand curve	A. Is vertical B. Slopes upward C. Is horizontal D. Slopes downward
5	The idea that the natural rate of unemployment rises when the acual rate of unemployment rise is known s.	A. Stabilization B. Insider outsider theory C. Hysteresis D. an efficiency wage model
6	If the reserve deposit ratio is 0.25 and the ratio of currency in circulation to deposits is 0.3, the potential money multiplier will have a value of.	A. 2.36 B. 0.42 C. 1.20 D. 0.96
7	Fiscal policy output to change demand for output is.	A. Completely effective in region KL B. Partially effective in region JK C. Elasticity is infinite for region LT D. Completely ineffective in region LT
8	Economists use the phrase ceteris paribus to express the assumption.	A. All else equal B. Everything affects everything else. C. Scarcity is a fact of life D. There is no such thing as a free lunch
9	In the long run an increase in government purchases of military equipment would cause output to _____ and the aggregate price level to	A. Stay constant fall B. fall ; fall C. fall ; stay constant D. stay constant ; rise
10	What did economist Adam Smith identity as the "invisible hand" that directs the decision making of firms and households in a market economy.	A. Government B. Product demand C. Self interest D. International trade
11	A variable whose value is determined witching an economic theory or model is.	A. Exogenous B. Independent C. Deterministic D. Endogenous
12	When planned saving is greater than planned investment.	A. Output should increase B. Output should decrease C. Output should not change D. All of the above
13	The dynamic aggregate demand schedule shifts rightward when there is an increase in.	A. The expected rate of inflation ceteris paribus B. The growth rate of the nominal money supply ceteris paribus C. The income tax rate ceteris paribus D. the current inflation rate celeries paribus
		A. A change in the production

14	Which of the following is not a primary cause of business cycle fluctuations according to real business cycle theory.	<p>function</p> <p>B. A change in the size of the labor force</p> <p>C. A change in the money supply</p> <p>D. A change in the real quantity of government purchases</p>
15	By definition, the marginal propensity to consumes.	<p>A. Equals <math>OC/A Y_d</math></p> <p>B. Is the behavioral coefficient <math>c</math> in the equation <math>C = C + cY_d</math></p> <p>C. Is the slope of the consumption function.</p> <p>D. All of the above</p>
16	Changes in subjective or objective factors.	<p>A. Never affect the consumption function</p> <p>B. Always cause downward shifts of the consumption function</p> <p>C. Always cause upward shifts of the consumption function</p> <p>D. May cause upward or downward shifts of the consumption function</p>
17	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>
18	The regression equation for consumption as a function of disposable income is $C = -60 + 0.90Y$ . the standard error of $Y$ is 30 and the standard error of estimate is 9.5 What is the 95% confidence interval for $C$ when $Y$ is Rs. 1000 billion.	<p>A. Rs.941 to Rs. 979</p> <p>B. Rs.900 to Rs. 1,020</p> <p>C. Rs.821 to Rs.859</p> <p>D. Rs.780 to Rs.900</p>
19	An IOU of the Federal Reserve Bank of San Francisco to Bank of America is called.	<p>A. Discourse</p> <p>B. Federal funds</p> <p>C. Reserves</p> <p>D. Collateral</p>
20	Suppose the intersection of the IS and LM curves is to the left of the FE line A decrease in the price level would most likely. eliminate a disequilibrium among the asset labor and goods markets by.	<p>A. Shifting the LM curve down and to the right</p> <p>B. Shifting the IS curve up and to the right</p> <p>C. Shifting the IS curve down and to the left</p> <p>D. Shifting the FE curve to the left</p>