

PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	Which market adjusts the quickest in response to shocks to the economy.	A. The asset market B. The labor market C. The goods market D. In the macro economy
2	In a simple Keynesian world assume the economy is operating at a full employment noninflationary level worsening world conditions necessitate additional government spending of Rs.50 billion. What should be the direction of change in taxes and magnitude of change to maintain stable price and full employment equilibrium.	A. Increase by Rs.50 billion B. Increase by more than Rs. 50 billion C. Increase by less than Rs.50 billion. D. Decrease by more than Rs.50 billion.
3	If the rate of growth of a full employment labor force is 1.55 and 2.55 then the ceiling 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%
4	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
5	Full-employment output is the level of output that firms in the economy supply when	A. Taxes are zero B. Wages and prices have fully adjusted C. The unemployment rate is zero D. All capital is fully utilized
6	The three main components of the aggregate demand aggregate supply model include.	A. AD, SRAS, LM B. SRAS, LRAS, IS C. AD, IS, LM D. AD, SRAS, LRAS
7	Classical economics think general equilibrium is attained relatively quickly because.	A. The real interest rate adjusts quickly B. The level of output adjusts quickly. C. The real wage rate adjusts quickly D. The price level adjusts quickly.
8	If a Canadian dollar costs 0.75 in terms of U.S. dollars, how much Canadian money would an American need to spend in Canada to get a dollar's worth of U.S. value.	A. 25\$ B. 99\$ C. Rs.1.25 D. Rs.1.13
9	An increase in the marginal propensity to import.	A. Has the some effect upon the multipliers as an increase in the MPC B. Has no effect upon the multipliers C. Increases the value of the multipliers D. Decreases the value of the multipliers
10	The value of expenditure multiplier relates.	A. The change in autonomous spending to the change in income B. the change in consumption to change in income C. The change in income to the change in consumption D. The change in income to the change in autonomous spending.
11	The IS curve shows the combinations of output and the real interest rate for which.	A. The goods market is in equilibrium B. The labor market is in equilibrium. C. The financial assets market is in equilibrium D. An increase in output will cause the market clearing interest rate to be bid up.
12	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 prices of the current year

		<p>C. The value of base year output in prices of the base year</p> <p>D. The value of base year output in prices of the current year</p>
13	Which of the following changes shifts the long run aggregate supply curve to the right.	<p>A. A demographic change that increases the labor supply</p> <p>B. A decrease in the demand for labor</p> <p>C. An increase in consumer confidence</p> <p>D. A decrease in taxes</p>
14	Find the revenue the government collects as a result of the tax	<p>A. Rs.10 million</p> <p>B. Rs.40 million</p> <p>C. Rs.16 million</p> <p>D. Rs.30 million</p>
15	Suppose nominal GNP is Rs.500 in year 1, the base year. If the GNP deflator doubles by year 6 while real output has increased 40% nominal output in year 6 equals.	<p>A. Rs.2000</p> <p>B. Rs.1400</p> <p>C. Rs.1000</p> <p>D. Rs.750</p>
16	All of the following are obstacles to international economic policy coordination except.	<p>A. Different national objectives are institutions</p> <p>B. Different national political climates</p> <p>C. Different phases in the business cycle</p> <p>D. Different national currencies.</p>
17	As the economy nears full capacity the short run aggregate supply curve	<p>A. Stagflation</p> <p>B. Structural inflation</p> <p>C. Demand side inflation</p> <p>D. Supply side inflation</p>
18	The short run aggregate supply curve the absence of misperceptions.	<p>A. Is vertical</p> <p>B. Slopes upward</p> <p>C. Is horizontal</p> <p>D. Slopes downward</p>
19	Which theory is generally included under micro economics.	<p>A. Price theory</p> <p>B. Income theory</p> <p>C. Employment theory</p> <p>D. None of the above</p>
20	According to Keynesians the primary source of business cycle fluctuation is.	<p>A. Aggregate demand shocks</p> <p>B. Productivity shocks</p> <p>C. Oil price shocks</p> <p>D. Consumer confidence shocks</p>