

PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	In a model in which there is no government new investment capital replacement or international trade the market value of final output equals.	<p>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</p>
2	Which of the following solutions does the economist suggest to cost inflation in higher education.	<p>A. Cutting professor salaries B. Make students live at home C. Reduce college from four to three years D. B and C</p>
3	In the Keynesian model in the long run an increase in the money supply will raise	<p>A. The price level but not the level of output B. The level of output but not the price level C. Both the level of output and the price level D. Neither the level of output nor the price level</p>
4	The efficiency wage model can be modified to allow real wages to vary over the business cycle by assuming that.	<p>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 will fall causing a reduction in the efficiency wage D. During a boom labor demand will increase, causing the efficiency wage to rise</p>
5	Over a two year period your income has increased 10% At the same time the consumer price index has increased 205 Your real purchasing power is.	<p>A. 92% of the original value B. 50% of its original value C. Not affected by the price change D. 109% of its original value</p>
6	The econometric problem of errors in variables leads to	<p>A. Biased estimates of regression coefficients. B. Autocorrelation C. Unbiased estimates of regression coefficients but non minimum variance of estimated coefficients. D. None of the above</p>
7	A decrease in the effective tax rate on capital would cause the IS curve to.	<p>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</p>
8	Two independent variables are not independent of each other in a multiple regression problem The analyst most likely will be confronted with.	<p>A. The problem of autocorrelation B. A type I error C. The problem of multicollinear rarity. D. a type II error</p>
9	The measured of GDP includes	<p>A. Non market goods such as home making and child rearing B. The benefits of clean air and water C. Estimated values of activity in the underground economy D. Purchases and sales of goods produced in previous periods</p>
10	An expenditure reducing policy would consist of a decrease in	<p>A. The par value of a currency B. Government expenditures C. Import duties D. Business or household taxes</p>
		A. 250

11	You are told the level of savings in the economy is Rs.25 billion of equilibrium Using the consumption function $C = 20 + .9 Y$, find equilibrium income .	B. 900 C. 450 D. 350
12	When a British pound equals Rs. 1.60 and the French Franc equals Rs. 0.40 the ability to earn infinite profit if it were not the case, implies that the exchange rate would be.	A. 1 franc = 4 pounds B. 1 franc = 1 pound C. 5 franc = 1 pound D. None of the above
13	If government tax function is $T = 80 + .6 Y$ 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
14	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
15	A variable whose value is determined within an economic theory or model is.	A. Exogenous B. Independent C. Deterministic D. Endogenous
16	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 ceteris paribus
17	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
18	According to the life cycle hypothesis consumption is related to.	A. Current income B. Past peak income C. Expected lifetime income D. Price expectations over one's life time
19	Which of the following represents monetary policy geared to increase the supply of money.	A. The purchase of bonds by the Federal Reserve Bank B. The sale of bonds by the Central Bank C. An increase in reserve requirement D. A decrease in taxes
20	A regression model yields a Durbin Watson d statistic whose value is 0.002. The results indicate.	A. Positive serial correlation B. the presence of multicollinearity C. No serial correlation D. Negative serial correlation