

PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	Country A 's GNP is increasing by 3% a year in contrast to its population growth of 2.4% The rate of growth of per capita GNP is.	A. 3% B. 0.85 C. 0.6% D. 2.4%
2	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
3	For a borrower an increase in the real interest rate will lead to.	A. Higher current consumption and less borrowing B. Higher current consumption and less saving C. Lower current consumption and less borrowing D. Lower current consumption and less saving
4	Which of the following is not a category of consumption spending in the national income accounts.	A. Consumer durables B. Non durable goods C. Services D. Housing Purchases
5	Suppose there is full employment and a neoclassical aggregate supply schedule A 105 increases in the nominal money supply.	A. Has no effect upon the price level B. Increase the rate of interest C. Increase the nominal wage 10% D. Increase the real money supply 10%
6	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.	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
7	When desired national saving equals desired national investment what market is in equilibrium.	A. The goods market B. The money market C. The foreign exchange market D. The stock market
8	The long run Phillips curve is	A. Vertical B. Horizontal C. Upward sloping D. Downward sloping
9	You are gold the level of savings in the economy is Rs.25 billion of equilibrium Using the consumption function $C = 20 + .9 Y$, find equilibrium income .	A. 250 B. 900 C. 450 D. 350
10	The impact of contractionary fiscal policy, according to new classical theory is that.	A. Real interest rates do not change B. Aggregate demand increase C. Current real output substantially decreases D. The price level substantially increases.
11	If the intercept of the consumption function is 75, and MPS is 0.10 the value of consumption expenditures at $Y_d = Rs. 5,000$ is	A. Rs.4,500 B. Rs. 575 C. Rs.500 D. $<div>Rs. 4,575</div>$
12	Industries that are extremely sensitive to the business cycle are the.	A. Durable goods and service sectors B. Nondurable goods and service sectors. C. Capital goods and nondurable goods sectors. D. Capital goods and durable goods sectors.
13	When all markets in the economy are simultaneously in equilibrium we say.	A. Markets are complete B. Markets are perfect C. There is disequilibrium D. There is general equilibrium.

14	What did economist Adam Smith identify as the "invisible hand" that directs the decision making of firms and households in a market economy.	<ul style="list-style-type: none"> A. Government B. Product demand C. Self interest D. International trade
15	An increase in wealth that doesn't affect labor supply would cause the IS curve to _____ and the FE line to _____	<ul style="list-style-type: none"> A. Shift down and to the left be unchanged B. Shift down and to the left shift left C. Shift up and to the right be unchanged D. Shift up and to the right shift left
16	In the long run an increase in government purchases of military equipment would cause output to _____ and the aggregate price level to _____	<ul style="list-style-type: none"> A. Stay constant fall B. fall ; fall C. fall ; stay constant D. stay constant ; rise
17	The aggregate demand curve	<ul style="list-style-type: none"> A. Is vertical B. Slopes upward C. Is horizontal D. Slopes downward
18	The low point in the business cycle is referred to as the	<ul style="list-style-type: none"> A. Expansion B. Boom C. Trough D. Peak
19	According to the permanent income hypothesis all increases in .	<ul style="list-style-type: none"> A. Permanent income are saved B. Permanent income are consumed C. transitory income are saved D. Transitory income are consumed
20	The fact that the production function relating output to labor becomes flatter as we move from left to right means that.	<ul style="list-style-type: none"> 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