PPSC Economics Chapter 3 Macro Economics

Sr	Questions	Answers Choice
1	Using the Keynesian model the effect of an increase in the effective tax rate on capital would be to cause __________ in the real interest rate and ______ in output in the short run.	A. A decrease ; a decrease B. A decrease ; no change C. No change ; a decrease D. An increase ; an increase
2	In the Keynesian model in the long run an increase in the money supply will raise	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
3	In the Keynesian model in the long run a decrease in the money supply will cause ___ in the interest rate and _____ in the price level.	A. An increase ; an increase B. A decrease ; a decrees C. No change ; an increase D. No change ; a decrease
4	In the Keynesian model which curve is vertical.	A. LRAS B. SRAS C. AD D. NS
5	In the Keynesian model short run equilibrium occurs where	A. The IS and LM curves interest B. The IS curve LM curve and FE lines intersect C. the IS curve intersects the FE line D. The LM curve intersects the FE line
6	in the keynesian model in the short run the amount of employment is determined by the effective labor demand curve and the level of.	A. Prices B. Output C. The real interest rate D. The supply of labor
7	A model in which individual producers act as price setters because there are only a few sellers and the product they sell is not standardized, is called.	A. Imperfect competition B. Perfect competition C. Monopoly D. Monopsony
8	The efficiency wage model can be modified to allow real wages to vary over the business cycle by assuming that.	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 wil fall causing a reduction in the efficiency wage D. During a boom labor demand will increase, causing the efficiency wage to rise
9	According to the efficiency wage model during a recession firms will not reduce real wages because.	A. Unions would go on strike reducing profitability B. This would reduce worker effort and productivity. C. The equilibrium real wage has increased D. Legally, they can't
10	In the efficiency wage model if the real wage is higher than the market clearing wage so that there in an excess supply of labor.	A. Firms will hire new workers at lower wages B. Firms will replace high paid workers with low paid formerly unemployed workers C. Employers will not hire workers who are willing to work for a lower wage. D. Firms will demand a higher level of effort from existing employees
		A. Labor supply equals labor demand B. There is an excess supply of labor

11	In the efficiency wage model with the efficiency wage above the market clearing wage when employment is at its full employment level.	C. there is an excess demand for labor D. There could be either an excess demand for or an excess supply of labor
12	The gift exchange motive suggests that	A. Workers value benefits like health insurance more than job security B. Workers prefer a nice work environment even if they must accept lower wages. C. Workers who feel well treated will work harder and more efficiently D. Workers will shirk if they are paid a low wage
13	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
14	The substitution effect of a decrease in real interest rates is to cause a consumer to.	A. Increase future consumption and decrease current consumption B. Decrease future consumption and increase current consumption C. Increase current consumption and increase saving D. Decrease current consumption and increase saving.
15	Suppose the government provides a tax cut today that is matched by a tax increase in the future that's equal in present value to the tax cut This causes a consumer's saving to.	A. Decrease B. Increase C. Remain unchanged D. Increase if the person was a lender and decrease if the person was a borrower
16	A temporary decrease in government purchases would cause.	A. A rightward shift in the saving curve and a leftward shift in the investment curve B. A rightward shift in the saving curve and a rightwards shift in the investment curve. C. A right ward shift in the saving curve but no shift in the investment curve D. No shift in the saving curve but a left ward shift in the investment curve.
17	An increase in the expected real interest rate tends to.	A. Raise desired saving only B. Raise desired investment only C. Raise both desired savings and desired investment D. Raise desired savings, but lower desired investment.
18	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
19	Suppose your company is in equilibrium will its capital stock at its desired level A permanent increase in the depreciation rate now has what effect on your desired capital stock. i	A. Raises it because the future marginal productivity of capital is higher B. Lowers it because the future marginal productivity of capital is lower C. Raises it because the user cost of capital is now lower D. Lowers it beacause the user cost of capital is now higher
20	Suppose your company is in equilibrium with its capital stock at the desired level A permanent decline in the expected real interest rate now has what effect on your desired capital stock	A. Raises it because the future marginal productivity of capital is higher B. Lowers it because the future marginal productivity of capital is lower C. Raises it because the user cost of capital is now lower D. Lowers it because the user cost of capital is now higher