

PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	What adjusts to restore general equilibrium after a shock to the economy.	A. The LM curve B. The IS curve C. The FE line D. The labor supply curve
2	An economy is in inflationary equilibrium A sustained increase in government appending shifts.	A. DAD rightward for one period B. DAD and DAS right ward permanently C. DAD right ward and a new equilibrium D. DAD right ward and a new equilibrium.
3	O kun's Law states that for each percentage point by which the unemployment rate is above the natural rate real GNP is 3% below potential GNP, if real GNP is Rs. 3,800 billion with the actual level of unemployment at 6.05 and the natural rate of unemployment at 4.5% then according to Okun's law the GNP gap is.	A. 171 billion B. 684 billion C. 114 billion D. 228 billion
4	A decrease in the marginal propensity to import will lead to.	A. An increase in GNP B. Lower the multiplier C. An increase in imports D. A decrease in imports
5	The equilibrium level of employment achieved after the complete adjustment of wages and prices, is known as the.	A. Zero unemployment level of employment B. Natural state C. Invisible handshake D. Full employment level of employment
6	An increase in the expected rate of inflation would.	A. shift the Philips curve upward B. shift the phillips curve downward C. Shift the long -run phillips curve to the right D. Shift the long-run phillips curve to the left
7	Fractional unemployment arises when	A. Unskilled or low skilled workers find it difficult to obtain desirable long term jobs B. Labor must be reallocated from industries that are shrinking to areas that are growing. C. Workers must search for suitable jobs and firms must search for suitable workers. D. Output and employment are below full employment levels
8	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
9	If X becomes more expansive i relation to Y, what happens to the budget line in the X - Y space, with Y on the vertical axis.	A. It shifts to the right B. It shifts to the left C. The slope becomes flatter D. The slope becomes steeper
10	Which of the following macro economic variables is the most seasonally pro cyclical.	A. Expenditure on services B. The unemployment rate C. Expenditure on durable goods D. The real wage
11	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.
12	A decrease in the effective tax rate on capital would cause the IS curve to.	A. Shift up and to the right B. shift down and to the left C. Remain unchanged D. Remain unchanged if taxes are

		tully deducible from income otherwise, shift up and to the right
13	Which of the following is not included in gorses investment.	A. Business and residential constrcution. B. Expenditures on consumer goods C. Additions to business inventory D. Expenditures on machinery
14	In market economics the incentive that draws entrepreneurs into industry is.	A. Government bonuses for meeting production quotas B. Profit C. Government assumption of the risk of failure D. Government assistance with making output and pricing decisions
15	Keynesian economists think general equilibrium is not attained quickly because.	A. The real interest rate adjusts slowly B. The level of output adjusts slowly C. The real wage rate adjusts slowly D. The price level adjusts quickly
16	Desired national saving would increase unambiguously if there were	A. An increase in current output and expected future output B. An increase in expected future output and government purchases C. An increase in expected future output and the expected real interest rate D. A fall in both government purchases and expected future output
17	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
18	The Laffer curve depicts	A. A trade off between tax rates and government receipts B. Price levels and real income C. government deficits and unemployment D. Tax rates and infixation
19	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
20	Which of the following changes shifts the AD curve down and to the left.	A. A temporary increase in government purchases. B. A rise in the nominal money supply C. A decrease in corporate taxes D. A decrease in consumer confidence