

PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	Expansionary monetary policy	<p>A. Tends to lead to an appreciation of nation's currency</p> <p>B. Usually has no effect on a currency's exchange value</p> <p>C. Tends to lead to a depreciation of the currencies of other nations</p> <p>D. Tends to lead to a depreciation of a nation's currency.</p>
2	An increase in the real wage rate will cause	<p>A. The labor demand curve to shift to the right</p> <p>B. The labor demand curve to shift to the left</p> <p>C. The quantity of labor demanded to rise</p> <p>D. A movement along the labor demand curve</p>
3	Money must fulfill all of the following functions except.	<p>A. Be a medium of exchange</p> <p>B. Be a store of value</p> <p>C. Be generally accepted as a means of purchasing commodities</p> <p>D. The above are all functions of money</p>
4	The natural rate of unemployed is generally thought of as the.	<p>A. Ratio of the frictional unemployment rate to the cyclical unemployment rate</p> <p>B. sum of structural unemployment and cyclical unemployment</p> <p>C. sum of frictional unemployment and cyclical unemployment</p> <p>D. sum of frictional unemployment and structural unemployment.</p>
5	If the expected rate of inflation rose at the same time the natural rate of unemployment rose the Philips curve.	<p>A. would shift down</p> <p>B. would shift up</p> <p>C. Would not move</p> <p>D. Might shift up or down or not move depending on which effect was larger.</p>
6	Which of the following actions is an example of expansionary fiscal policy.	<p>A. A decrease in welfare payments</p> <p>B. A purchase of government securities in the open market</p> <p>C. A decrease in the Bank rate</p> <p>D. A decrease in the corporate profits tax rates</p>
7	Friedman and Phelps suggested that there should not be a stable relationship between inflation and unemployment, but there should be a stable relationship between	<p>A. Anticipated inflation and frictional unemployment</p> <p>B. Anticipated inflation and cyclical unemployment</p> <p>C. Unanticipated inflation and frictional unemployment.</p> <p>D. Unanticipated inflation and cyclical unemployment</p>
8	The negative relationship between unemployment and inflation is known as the	<p>A. Aggregate supply curve</p> <p>B. Aggregate demand curve</p> <p>C. Phillips curve</p> <p>D. Efficiency wage line</p>
9	Suppose there is full employment and a positively sloped aggregate supply schedule. A decrease in taxes increases.	<p>A. The price level and real output</p> <p>B. the price level but has no effect on real output</p> <p>C. Real output but has no effect on the price level</p> <p>D. The nominal and real wage</p>
10	Which one of the following would cause demand pull inflation.	<p>A. Increases in production costs</p> <p>B. Wage gains in proportion to productivity gains</p> <p>C. An increase in aggregate demand with shortages of supply</p> <p>D. An increase in the money supply</p>

11	After a temporary beneficial supply shock hits the economy general equilibrium is restored by	<p>A. A shift down and to the left of the IS curve</p> <p>B. A shift to the left of the FE line</p> <p>C. A shift up and to the left to the LM curve</p> <p>D. A shift down and to the right of the LM curve</p>
12	The value of real GDP in the current year equals.	<p>A. The value of current year output in prices of the base year</p> <p>B. The value of current year output in prices of the current year</p> <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	An economic variable that moves in the opposite direction as aggregate economic activity up in is called.	<p>A. Pro cyclical</p> <p>B. Countercyclical</p> <p>C. A cyclical</p> <p>D. A leading variable</p>
14	The multiplier that applies to changes in autonomous investment is identical to changes in.	<p>A. Autonomous government expenditures</p> <p>B. Autonomous consumption expenditures</p> <p>C. Autocoups exports</p> <p>D. All of the responses above</p>
15	The major source of revenue for the government is.	<p>A. the collection of property taxes</p> <p>B. The collection of the corporates income tax</p> <p>C. The collection of excise taxes on gasoline cigarettes and tires</p> <p>D. The collection of import and export duties in the conduct of foreign trade</p>
16	When planned saving is greater than planned investment.	<p>A. Output should increase</p> <p>B. Output should decrease</p> <p>C. Output should not change</p> <p>D. All of the above</p>
17	Disinflationary demand management policies.	<p>A. Achieve a lower rate of inflation without causing a decreases in output.</p> <p>B. Reduce output but have no initial effect on the inflation rate</p> <p>C. Require an increase in government spending.</p> <p>D. Require a reduction in the growth rate of the nominal money supply.</p>
18	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</p> <p>B. 50% of its original value</p> <p>C. Not affected by the price change</p> <p>D. 109% of its original value</p>
19	When aggregate economic activity is declining , the economy is said to be in.	<p>A. A contraction</p> <p>B. An expansion</p> <p>C. A trough</p> <p>D. A turning point</p>
20	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>