PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	A beneficial supply shock would cause.	A. A movement up the short run Phillips B. a movement down the short run Phillips curve C. The short run Phillips curve to shift upward and to the rights D. The short run Phillips curve to shift down ward and to the left
2	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
3	The long run aggregate supply curve	A. Is vertical B. slopes upward C. Is horizontal D. Slopes downward
4	In the expenditure approach to GDP which of the following would be excluded from measurement of GDP.	A. Government payments for goods produced by foreign firms B. Government payments for goods produced by firms owned by state of local governemnt C. Government payments for welfare D. All government payments are included in GDP
5	Which of the following will cause a monetary induced change versus a fiscal induced change in equilibrium income as determined.by IS - LM analysis.	A. A shift in the consumption function B. A shift in government expenditures C. A change in liquidity preference D. A change in a government expenditures
6	The value of a household's assets minus the value of its liabilities is called.	A. Income B. Debt C. Stock D. Wealth
7	An adverse supply shock that is permanent shifts which curve in addition to the curves shifted by. One that is temporary.	A. The LM curve B. The IS curve C. The FE line D. The labor demand curve
8	The long run foreign exchange rate between the U.S. and Japan is 200 Yen =Rs. 1 under a floating exchange rate Which of the following does 112 t occur if the Federal Reserve reduce the money supply in order to prevent the occurrence of inflation.	A. Foreign capital flows to the U.S. B. The U.S. dollar appreciates C. Real net exports decline D. American real GNP experience a slower rate of growth
9	Find the change in revenue to the industry due to the taxs.	A. Rs. 40 billion B. Rs. 34 million C. Rs.25 million D. Rs.36 Million.
10	If the demand for coffee decreases as income decreases, coffee is a	A. Normal good B. Inferior good C. Substitute good D. Complementary good
11	If the quantity of money demands is less than the quantity of money supplied then the interest rate will.	A. Either increases or decrease, depending on the amount of excess demand. B. Increase C. Decrease D. not change
		A. Shift up and to the right

12	An increase labor supply would cause the IS curve to.	B. Shift down and to the left C. Remain unchanged D. Shift up and to the right only if people face borrowing constraints
13	If the reserve deposit ratio is 0.25 and the ratio of currency in circulation to deposits is 0.3, the potential money multiplier will have a value of.	A. 2.36 B. 0.42 C. 1.20 D. 0.96
14	When a person received an increase in wealth, what is likely to happen to consumption and saving.	A. Consumption increase and saving increases. B. Consumption increases and saving decreases C. Consumption decreases and saving increases D. Consumption decreases and saving decreases
15	The term household production refers to	A. Output produced by forcing children to work B. Output produced by workers who are telecommuting C. Services provided directly to households such as lawn mowing by landscape companies. D. Output produced at home
16	In the Keynesian model which curve is vertical.	A. LRAS B. SRAS C. AD D. NS
17	Which one of the following would cause demand pull inflation.	A. Increases iin production costs B. Wage gains in proportion productivity gains C. An increase in aggregate demand with shortages of sup ply D. Monoposonistic labor markets
18	The natural rate of unemployed is generally thought of as the.	A. Ratio of the frictional unemployment rate to the cyclical unemployment rate B. sum of structural unemployment and cyclical unemployment C. sum of frictional unemployment and cyclical unemployment D. sum of frictional unemployment and structural unemployment.
19	The equilibrium level of Y and I derived from the LM and IS equations above is.	A. Y = 130 and I = 10% B. Y = 200 and I = 30% C. Y = 180 and I = 7% D. Y = 250 and I = 2%
20	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