PPSC Economics Chapter 3 Macro Economics

Sr	Questions	Answers Choice
1	The aggregate demand curve	A. Is vertical B. Slopes upward C. Is horizontal D. Slopes downward
2	The aggregate demand curve shows the combinations of output and the price level that put the economy on.	A. The FE line and the IS curve B. The FE line The IS curve and the LM curve C. The IS curve D. The IS curve and the LM curve
3	Classical economics believe that in the short run.	A. Money neutrality exists and prices adjust rapidly B. Money neutrality does not exist and prices adjust rapidly C. Money neutrality does not exist and prices adjust rapidly D. Money neutrality exists and prices do not adjust rapidly.
4	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
5	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.
6	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
7	Suppose the intersection of the IS and LM curves is to the left of the FE line A decrease in the price level would most likely. eliminate a disequilibrium among the asset labor and goods markets by.	A. Shifting the LM curve down and to the right B. Shifting the IS curve up and to the right C. Shifting the IS curve down and to the left D. Shifting the FE curve to the left
8	Which market adjusts the quickest in response to shocks to the economy.	A. The asset market B. The labor market C. The goods market D. In the macro economy
9	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
10	After a temporary beneficial supply shock hits the economy general equilibrium is restored by	A. A shift down and to the left of the IS curve B. A shift to the left of the FE line C. A shift up and to the left to the LM curve D. A shift down and to the right of the LM curve
11	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
12	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.
		A. Shift down and to the left be

13	An increase in wealth that doesn't affect labor supply would cause the IS curve to _________ and the FE line to ____________	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
14	A change that increase real money demand relative to the real money supply causes.	A. The LM curve to shift down and to the right B. The LM curve to shift up and to the left C. The IS curve to shift down and to the left D. The IS curve to shift up and to the right
15	A change that increases the real money supply relative to real money demand causes.	A. The LM curve to shift down and to the right. B. The LM curve to shift up and to the left C. The IS curve to shift down and to the left D. The IS curve to shift up and to the right.
16	A rise in the price of bond causes the yield of the bond to.	A. Rise B. Fall C. Remain unchanged D. Rise uf ut's a short term bond, fall if it's a long term bond
17	An increase in the expected future marginal product of capital would cause the IS curve to.	A. Shift up and to the right B. Shift down and to the left C. Remain unchanged if firms face borrowing constraints otherwise shift down and to the left D. Remain changed
18	A decrease in wealth would cause the IS curve to	A. Shift up and to the right B. Shift down and to the left C. Remain unchanged D. Shift up and to the right only in poeple face borrowing constraints.
19	A temporary decline in productivity would cause the IS curve to.	A. Shift up and to the right B. Shift down and to the left C. Remain unchanged D. Shift up and to right only if people face borrowing constraints
20	An increase labor supply would cause the IS curve to.	A. Shift up and to the right B. Shift down and to the left C. Remain unchanged D. Shift up and to the right only if people face borrowing constraints