

## PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	The negative relation ship between unemployment and inflation is know as the	A. Aggregate supply curve B. Aggregate demand curve C. Philipps curve D. Efficiency wage line
2	In the long run, an increase in productivity would cause output to _____ and the aggregate price level to	A. fall ; rise B. fall ; fall C. rise ; fall D. rise ; rise
3	Monetary expansion can still be effective in getting out of liquidity trap if it's combined with.	A. Restrictions on bank loans B. Increased taxes C. Contractionary fiscal policy D. Expansionary fiscal policy
4	When an increase in government spending is matched by an equal decrease in government transfers, the income level will.	A. Stay the same B. Increase C. Decrease D. All of the above
5	For interior commodities income effect is.	A. Zero B. Negative C. Infinite D. Positive
6	An invention that speeds up the internet is an example of.	A. An income effect B. An increase in labor C. A substitution effect D. A supply shock
7	Suppose there is full employment and positively sloped aggregate supply schedule A decrees in taxes increases.	A. The price level and real output B. the prie level but has no effect on real output C. Real output but has no effect on the price level D. The nominal and real wage
8	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
9	Fiscal policy output to change demand for output is.	A. Completely effective in region KL B. Partially effective in region JK C. Elasticity is infinite for region LT D. Completely ineffective in region LT
10	Equilibrium occurs in a two sector model when	A. Saving equals investment. B. Consumption plys investment equals the value of output C. Planned saving equals planned investment. D. Aggregate spending equals the revenues of the business sector
11	The IS curve shows the combinations of output and the real interest rate for which.	A. The goods market is in equilibrium B. The labor market is in equilibrium. C. The financial assets market is in equilibrium D. An increase in output will cause the market clearing interest rate to be bid up.
12	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 people face borrowing constraints.
13	The nominal interest rate minus the inflation rate is the	A. Depreciation rate B. Discount rate C. Forward rate D. Real interest rate

D. Real interest rate

14	Capital goods are	<p>A. A type of intermediate good B. Final goods, because they are not used up during a given year C. Produced in the same year as the related final good whereas intermediate goods are produced in different years. D. Produced in one year whereas final goods are produced over a period of more than one year</p>
15	In the efficiency wage model if the real wage is higher than the market clearing wage so that there is an excess supply of labor.	<p>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</p>
16	The efficiency wage model can be modified to allow real wages to vary over the business cycle by assuming that.	<p>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 will fall causing a reduction in the efficiency wage D. During a boom labor demand will increase, causing the efficiency wage to rise</p>
17	in the keynesian model in the short run the amount of employment is determined by the effective labor demand curve and the level of.	<p>A. Prices B. Output C. The real interest rate D. The supply of labor</p>
18	Where there is an equal increase in net tax revenue and government spending, ceteris paribus.	<p>A. (C+I+G) is shifting upward B. (C+I+G) is shifting downward C. (C+I+G) does not shift D. All of these</p>
19	If the Nominal GNP of an economy rose from Rs. 5000 to 5500 between 1985 and 1986 while the price index rose from 100 to 110 during the same period real GNP	<p>A. Fell by 10% from 1985 to 1986 B. Rose by 10% from 1985 to 1986 C. Remained constant from 1985 to 1986 D. Fell by 1% from 1985 to 1986</p>
20	A rise in the exchange rate value of the rupee will most likely cause.	<p>A. A dollar to be worth less in terms of other currencies. B. Imports to decrease C. Exports to increase D. The balance of payments curve to shift to the left</p>