

PPSC Economics Chapter 3 Macro Economics

Sr	Questions	Answers Choice
1	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 fully deductible from income otherwise, shift up and to the right
2	A decline expected future output 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.
3	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.
4	A disadvantage of the barter system is that	A. No trade occurs B. People must produce all their own food clothing and shelter C. The opportunity to specialize is greatly reduced. D. Gold is the only unit of account
5	Economists use the phrase ceteris paribus to express the assumption.	A. All else equal B. Everything affects everything else. C. Scarcity is a fact of life D. There is no such thing as a free lunch
6	If the demand for coffee decreases as income decreases, coffee is a	A. Normal good B. Inferior good C. Substitute good D. Complementary good
7	Which of the following solutions does the economist suggest to cost inflation in higher education.	A. Cutting professor salaries B. Make students live at home C. Reduce college from four to three years D. B and C
8	An efficient economy is an economy	A. In which output is steady or growing and there is low inflation B. That produces what consumers demand and does so at the least possible cost. C. that distributes output equally among all consumers D. In which there is a fair distribution of wealth.
9	As the economy nears full capacity the short run aggregate supply curve	A. Stagflation B. Structural inflation C. Demand side inflation D. Supply side inflation
10	The main cause of cyclical unemployment is that.	A. Firms engage in race gender and sex discrimination in their hiring practices. B. Some individual do not have marketable job skills. C. the level of overall economic activity fluctuates D. Workers offer voluntarily quit a job to look for a better job.
11	Which of the following actions is an example of expansionary fiscal policy.	A. A decrease in welfare payments B. A purchase of government securities in the open market C. A decrease in the Bank rate D. A decrease in the corporate tax rate

12	An increase in total production causes the demand for money to _____ and the interest rate to _____	<p>A. Increase ; increase</p> <p>B. Increase ; decrease</p> <p>C. decrease ; decrease</p> <p>D. decrease,; increase</p>
13	If the quantity of money demands is less than the quantity of money supplied then the interest rate will.	<p>A. Either increases or decrease, depending on the amount of excess demand.</p> <p>B. Increase</p> <p>C. Decrease</p> <p>D. not change</p>
14	Banks can create money	<p>A. Only by illegally printing additional dollar bills</p> <p>B. By paying interest to their depositors</p> <p>C. By making loans that result in additional deposits</p> <p>D. By offering financial services, such as stock market brokerage</p>
15	The ratio of the change in the equilibrium level of income to a change in some autonomous variable is the	<p>A. Elasticity coefficient</p> <p>B. Multiplier</p> <p>C. Automatic stabilizer</p> <p>D. Marginal propensity of the autonomous variable</p>
16	The natural rate of unemployment 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>
17	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>
18	Deflation occurs only when	<p>A. Some prices fall but average prices still rise</p> <p>B. All prices for all goods fall</p> <p>C. The average price level falls</p> <p>D. The average price level increases but at a slower rate than before</p>
19	The reason that only final sales are counted in GDP is	<p>A. To avoid double counting goods that are sold so as to be resold</p> <p>B. To not count production in other countries</p> <p>C. Because the government can't get records on intermediate sales.</p> <p>D. To simplify the computation and no other reason</p>
20	According to Okun's law an increase in the unemployment rate will cause _____ in the level of employment and _____ in the level of output.	<p>A. An increase ; an increase</p> <p>B. An increase; a decrease</p> <p>C. A decrease ; an increase</p> <p>D. a decrease ; a decrease</p>