

PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	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</p> <p>B. Firms will replace high paid workers with low paid formerly unemployed workers</p> <p>C. Employers will not hire workers who are willing to work for a lower wage.</p> <p>D. Firms will demand a higher level of effort from existing employees</p>
2	If sales are forecasted using an adaptive expectations model where the coefficient of adjustment is .2, the sales forecast for 1986 is.	<p>A. Rs.260</p> <p>B. Rs.244.4</p> <p>C. Rs.3.6</p> <p>D. Rs.283.6</p>
3	Characteristics of economic laws are	<p>A. Mere statement of economic tendencies</p> <p>B. Less certain</p> <p>C. Hypothetical</p> <p>D. All of the above</p>
4	Which policy is an expenditure switching policy.	<p>A. Increase in the money supply</p> <p>B. Decrease in government expenditures</p> <p>C. Increase in business and household taxes</p> <p>D. Decrease in import tariffs</p>
5	A change that increases the real money supply relative to real money demand causes.	<p>A. The LM curve to shift down and to the right.</p> <p>B. The LM curve to shift up and to the left</p> <p>C. The IS curve to shift down and to the left</p> <p>D. The IS curve to shift up and to the right.</p>
6	Quality controllers at the LMN corporation formulate the null hypothesis that the proportion of defective items in the production line is 10% they reject this hypothesis when they find 12 defective items in 100. If the defective rate is really 10% What type of error did they make.	<p>A. Standard error of the mean</p> <p>B. A type II error</p> <p>C. A type I error</p> <p>D. The error probability</p>
7	If the quantity of money demanded 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>
8	Changes in subjective or objective factors.	<p>A. Never affect the consumption function</p> <p>B. Always cause downward shifts of the consumption function</p> <p>C. Always cause upward shifts of the consumption function</p> <p>D. May cause upward or downward shifts of the consumption function</p>
9	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>
10	When plotted with the aggregate price level on the vertical axis and output on the horizontal axis, which of the following curves slopes downward.	<p>A. SRAS</p> <p>B. AD</p> <p>C. LRAS</p> <p>D. None of the above</p>
11	In the Keynesian model short run equilibrium occurs where	<p>A. The IS and LM curves intersect</p> <p>B. The IS curve LM curve and FE lines intersect</p> <p>C. the IS curve intersects the FE line</p> <p>D. The IS curve intersects the LM curve</p>

		D. The LM curve intersects the FE line
12	Which of the following changes shifts the AD curve down and to the left.	A. A temporary increase in government purchases. B. A rise in the nominal money supply C. A decrease in corporate taxes D. A decrease in consumer confidence
13	Find the change in revenue to the industry due to the taxes.	A. Rs. 40 billion B. Rs. 34 million C. Rs.25 million D. Rs.36 Million.
14	If nominal GNP were Rs.1000 ballooning 1976 and Rs.2200 billion in 1986, and the implicit GNP deflator was. 1.2 in 1976 and 1.6 in 1986 concluded that .	A. Real GNP increased by approximately Rs. 542 billion from 1976 to 1986 B. The price level fell from 1976 to 1986 C. Real GNP increased by 35% D. Nominal GNP increased by 80%
15	Money must fulfill all of the following functions except.	A. Be a medium of exchange B. Be a store of value C. Be generally accepted as a means of purchasing commodities D. The above are all functions of money
16	When investment spending is negatively related to the rate of interest, equilibrium income in the goods market.	A. Is unrelated to the rate of interest B. Is positively related to the rate or interest C. Inversely related to the rate of interest D. Falls as the rate of interest decreases
17	The practice of using fiscal and monetary policy to stabilize the economy is known as.	A. Fine turning of deamand B. Monetarism C. Laissez faire economics D. Supply side economics
18	The major source of revenue for the government is.	A. the collection of property taxes B. The collection of the corporates income tax C. The collection of excise taxes on gasoline cigarettes and tires D. The collection of import and export duties in the conduct of foreign trade
19	Real business cycle theorists think that most business cycle fluctuations are caused by shocks to.	A. The production function B. The size of the labor force C. The real quantity of government purchases D. The spending and saving decisions of consumers
20	A nation experience external balance if it achieves.	A. No net changes in its international gold stocks B. Productivity levels equal to those of its trading partners C. An increases in its money supply equal to increases overseas D. Equilibrium in its balance of payments