

## PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	Given fixed change rate assume Pakistan initiates expansionary monetary and fiscal polices to combat recession these policies will also.	A. Increase both imports and exports B. Increase exports and reduce import C. Reduce a balance of payments surplus D. Reduce a balance of payment deficit
2	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
3	Disinflationary demand management policies.	A. Achieve a lower rate of inflation without causing a decreases in output.  B. Reduce output but have no initial effect on the inflation rate C. Require an increase in government spending. D. Require a reduction in the growth rate of the nominal money supply.
4	What tow factors should you equate in deciding how many workers to employ.	A. The marginal product of labor and the marginal product of capital B. The marginal product of labor and the real wage rate C. The marginal product of labor and the real interest rate D. The marginal product of capital and the real wage rate
5	Net National product equals.	A. Gross national product minus indirect business taxes B. Gross national product minus depreciation C. National income minus indirect business taxes D. National income pluses depreciation
6	According to the efficiency wage model during a recession firms will not reduce real wages because.	A. Unions would go on strike reducing profitability     B. This would reduce worker effort and productivity.     C. The equilibrium real wage has increased     D. Legally, they can't
7	The measured of GDP includes	A. Non market goods such as home making and child rearing B. The benefits of clean air and water C. Estimated values of activity in the underground economy D. Purchases and sales of goods produced in previous periods
8	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.
9	A model in which individual producers act as price setters because there are only a few sellers and the product they sell is not standardized, is called.	A. Imperfect competition B. Perfect competition C. Monopoly D. Monopsony
40	Which of the following is not a primary cause of business cycle fluctuations according to real	A. A change in the production function  A change in the size of the labor

10	business cycle theory.	torce C. A change in the money supply D. A change in the real quantity of government purchases
11	A mathematical expression relating the amount of output produced to quantities of capital and labor utilized is the	A. Real interest rate B. Production function C. Productivity relation D. Marginal product
12	Which of the following is the most liquid.	A. A savings account B. A 6 months CD C. A home D. Water
13	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
14	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 constratints.
15	An increase in the marginal propensity to import.	A. Has the some effect upon the multipliers as an increase in the MPC B. Has no effect upon the multipliers C. Increases the value of the multipliers D. Decreases the value of the multipliers
16	Which of the following assets is most liquid.	A. Shares of stock in IBM B. Land C. Gold D. Currency
17	Industries that are extremely sensitive to the business cycle are the.	A. Durable goods and service sectors     B. Nondurable goods and service sectors.     C. Capital goods and nondurable goods sectors.     D. Capital goods and durable goods sectors.
18	The reduction of the inflation rate is called	A. Deflation B. Disinflation C. Inflation D. Reflation
19	The MPS = 0.4 and government spending increases by 20 billion. The LM curve	A. Shifts to the right by 20 billion B. Shifts to the right by 50 billion C. Does not shift D. shifts to the left by 30 billion
20	The long run aggregate supply curve.	A. Is vertical B. Slopes upward C. Is horizontal D. Slopes downward