

PPSC Economics Chapter 3 Macro Economics

Sr	Questions	Answers Choice
1	Fractional unemployment arises when	<p>A. Unskilled or low skilled workers find it difficult to obtain desirable long term jobs</p> <p>B. Labor must be reallocated from industries that are shrinking to areas that are growing.</p> <p>C. Workers must search for suitable jobs and firms must search for suitable workers.</p> <p>D. Output and employment are below full employment levels</p>
2	Full- employment output is the level of output that firms in the economy supply when	<p>A. Taxes are zero</p> <p>B. Wages and prices have fully adjusted</p> <p>C. The unemployment rate in zero</p> <p>D. All capital is fully utilized</p>
3	The equilibrium level of employment achieved after the complete adjustment of wages and prices, is known as the.	<p>A. Zero unemployment level of employment</p> <p>B. Natural state</p> <p>C. Invisible handshake</p> <p>D. Full employment level of employment</p>
4	The aggregate supply of labor is the	<p>A. Total amount of time a person works over his or her lifetime</p> <p>B. Total amount of time a person spend in the labor force over his or her life time</p> <p>C. Unemployment rate</p> <p>D. Sum of the labor supplied by everyone in the economy</p>
5	Which of the following events would lead to an increase in the marginal product of labor for every quantity of labor.	<p>A. An increase in the real wage</p> <p>B. A decrease in the real wage</p> <p>C. A favorable supply shock such as a fall in the price of oil</p> <p>D. an adverse supply shock such as a reduced supply of raw materials.</p>
6	Firms hire labor at the point where the	<p>A. Nominal wage rate equals the marginal product of labor</p> <p>B. Real wage rate equals the marginal revenue product of capital</p> <p>C. Nominal wage rate equals the marginal revenue product of labor</p> <p>D. Real wage rate equals the marginal revenue product of capital</p>
7	What two factors should you equate in deciding how many workers to employ.	<p>A. The marginal product of labor and the marginal product of capital</p> <p>B. The marginal product of labor and the real wage rate</p> <p>C. The marginal product of labor and the real interest rate</p> <p>D. The marginal product of capital and the real wage rate</p>
8	An increase in the number of workers hired by a firm could result from	<p>A. a decrease in the marginal product of labor</p> <p>B. a decrease in the marginal revenue product of labor</p> <p>C. An increase in the real wage</p> <p>D. A decrease in the real wage</p>
9	An increase in the real wage rate will cause.	<p>A. The labor demand curve to shift to the right</p> <p>B. The labor demand curve to shift to the left</p> <p>C. The quantity of labor demanded to rise</p> <p>D. A movement along the labor demand curve</p>

10	The fact that the production function relating output to labor becomes flatter as we move from left to right means that.	<p>A. The marginal product of labor is positive</p> <p>B. The marginal product of capital is positive</p> <p>C. There is diminishing marginal productivity of labor</p> <p>D. There is diminishing marginal productivity of capital</p>
11	The two main characteristics of the production function are.	<p>A. It slopes downward from left to right and the slope becomes flatter as the input increases</p> <p>B. It slopes upward from left to right the slope becomes steeper as the input increases</p> <p>C. It slopes upward from left to right and the slope becomes flatter as the input increases</p> <p>D. It slopes downward from left to right and the slope becomes steeper as the input increases</p>
12	An increase in the real wage rate will cause	<p>A. The labor demand curve to shift to the right</p> <p>B. The labor demand curve to shift to the left</p> <p>C. The quantity of labor demanded to rise</p> <p>D. A movement along the labor demand curve</p>
13	An invention that speeds up the internet is an example of.	<p>A. An income effect</p> <p>B. An increase in labor</p> <p>C. A substitution effect</p> <p>D. A supply shock</p>
14	The fact that the production function relating output to labor becomes flatter as we move from left to right means that.	<p>A. The marginal product of labor is positive</p> <p>B. The marginal product of capital is positive</p> <p>C. There is diminishing marginal productivity of labor</p> <p>D. there is diminishing marginal productivity of capital</p>
15	The marginal product of labor	<p>A. Is measured by the slope of the production function relating capital of employment</p> <p>B. Is larger when the labor supply is relatively larger</p> <p>C. Is smaller when the labor supply is relatively smaller</p> <p>D. Decreases as the number of workers already employed increases</p>
16	The fact that the Production function relating output to capital becomes flatter as we move from left to right means that.	<p>A. The marginal product of labor is positive</p> <p>B. The marginal product of capital is positive</p> <p>C. There is diminishing marginal productivity of labor</p> <p>D. There is diminishing marginal productivity of capital</p>
17	A mathematical expression relating the amount of output produced to quantities of capital and labor utilized is the	<p>A. Real interest rate</p> <p>B. Production function</p> <p>C. Productivity relation</p> <p>D. Marginal product</p>
18	The expected real interest rate minus expected inflation rate.	<p>A. Nominal interest rate minus inflation rate</p> <p>B. Nominal interest rate minus expected inflation rate.</p> <p>C. Expected nominal interest rate minus inflation rate</p> <p>D. Nominal interest rate plus expected inflation rate.</p>
19	The normal interest rate minus the inflation rate is the	<p>A. Depreciation rate</p> <p>B. Discount rate</p> <p>C. Real interest rate</p> <p>D. Forward rate</p>
20	A mathematical expression relating the amount of output produced to quantities of capital and labor utilized is the.	<p>A. Real interest rate</p> <p>B. Productivity relation</p> <p>C. Production function</p> <p>D. Marginal product</p>