

PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	The Root Mean square Error for the actual sales and sales forecast for 1985 and 1986 is.	A. 20.2 B. 19.9 C. 14.7 D. 17.2
2	The fact that the Production function relating output to capital becomes flatter as we move from left to right means that.	A. The marginal product of labor is positive B. The marginal product of capital is positive C. There is diminishing marginal productivity of labor D. There is diminishing marginal productivity of capital
3	According to Keynesian macro economics price adjust to shocks, so the government should.	A. Slowly; do little B. Rapidly; do little C. Rapidly; fight recessions D. Slowly; fight recessions
4	If government tax function is $T = 80 + .6 Y$ and the marginal propensity to consume is a constant 8 and increase in GNP of Rs.50 would cause consumption to.	A. Increase by Rs.16 B. Decrease by Rs.16 C. Increase by Rs.40 D. Decrease by Rs.30
5	A change that increase real money demand relative to the real money supply causes.	A. The LM curve to shift down and to the right B. The LM curve to shift up and to the left C. The IS curve to shift down and to the left D. The IS curve to shift up and to the right
6	Which market adjusts the quickest in response to shocks to the economy.	A. The asset market B. The labor market C. The goods market D. In the macro economy
7	The multiplier that applies to changes in autonomous investment is identical to changes in.	A. Autonomous government expenditures B. Autonomous consumption expenditures C. Autocoups exports D. All of the responses above
8	The equilibrium level of Y and I derived from the LM and IS equations above is.	A. Y = 130 and I = 10% B. Y = 200 and I = 30% C. Y = 180 and I = 7% D. Y = 250 and I = 2%
9	A temporary adverse productivity shock would.	A. Shift the labor supply curve upward B. Decrease the level of employment C. Decrease future income D. Decrease the expected future marginal product of capital
10	The break even level of income where C = Y is	A. 200 B. 300 C. 500 D. 400
11	The three main components of the aggregate demand aggregate supply model include.	A. AD, SRAS, LM B. SRAS, LRAS, IS C. AD, IS, LM D. AD, SRAS, LRAS
12	The term household production refers to	A. Output produced by forcing children to work B. Output produced by workers who are telecommuting C. Services provided directly to households such as lawn mowing by landscape companies. D. Output produced at home

13	The hypothesis would the tested with	A. A two tailed test B. A one tailed test with the rejection region in the left tail C. a one tailed test with the rejection region on the right tail D. The normal distiribution
14	In the short run in the Keynesian model a sharp increase in oil prices would leave the economy with a level of output and a real interest rate.	A. Higher ; lower B. Lower ; Higher C. Higher ; higher
15	A firm's total labor cost when six workers are employed is Rs.580 When seven workers are employed the total labor cost is Rs.700 the Rs. 120 change in total labor cost represents.	A. Marginal physical product B. Marginal resources cost C. Marginal cost D. Marginal revenue
16	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
17	Keynes and Say's macroeconomic theory of employment were diametrically opposed Say state that.	A. Supply creates demand B. Demand creates supply C. Unemployment is a most likely state of affairs D. Full employment can only be achieved by government interference.
18	Firms hire labor at the point where the	A. Nominal wage rate equals the marginal product of labor B. Real wage rate equals the marginal revenue product of capital C. Nominal wage rate equals the marginal revenue product of labor D. Real wage rate equals the marginal revenue product of capital
19	Which of the following represents monetary policy geared to increases the supply of money.	A. The purchase of bonds by the Federal Reserve Bank B. The sale of bonds by the Central Bank C. An increase in reserve requirement D. A decrease in taxes
20	When plotted with the aggregate price level on the vertical axis and output on the horizontal axis which of the following curves is vertical.	A. SRAS B. AD C. LRAS D. None of the above