

PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	Which of the following events would lead to an increase in the marginal product of labor for every quantity of labor.	A. An increase in the real wage B. A decrease in the real wage C. A favorable supply shock such as a fall in the price of oil D. an adverse supply shock such as a reduced supply of raw materials.
2	Find the revenue the government collects as a result of the tax	A. Rs.10 million B. Rs.40 million C. Rs.16 million D. Rs.30 million
3	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
4	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.
5	The fact that the production function relating output to labor 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
6	A temporary decrease in government purchases would cause.	A. A rightward shift in the saving curve and a leftward shift in the investment curve B. A rightward shift in the saving curve and a rightward shift in the investment curve. C. A rightward shift in the saving curve but no shift in the investment curve D. No shift in the saving curve but a leftward shift in the investment curve.
7	For a borrower an increase in the real interest rate will lead to.	A. Higher current consumption and less borrowing B. Higher current consumption and less saving C. Lower current consumption and less borrowing D. Lower current consumption and less saving
8	An economic variable that moves in the opposite direction as aggregate economic activity up in is called.	A. Pro cyclical B. Countercyclical C. A cyclical D. A leading variable
9	GDP difference between GNP because.	A. GDP = GNP - net factor payments from abroad B. GNP = GDP -net factor payments from abroad C. GDP = GNP -capital consumption allowances D. GNP = GDP -capital consumption allowances.

10	The reduction of the inflation rate is called	A. Deflation B. Disinflation C. Inflation D. Reflation
11	The substitution effect of a decrease in real interest rates is to cause a consumer to.	A. Increase future consumption and decrease current consumption B. Decrease future consumption and increase current consumption C. Increase current consumption and increase saving D. Decrease current consumption and increase saving.
12	Classical economics believe that in the short run.	A. Money neutrality exists and prices adjust rapidly B. Money neutrality does not exist and prices adjust rapidly C. Money neutrality does not exist and prices adjust rapidly D. Money neutrality exists and prices do not adjust rapidly.
13	Ahmed regression model yields a Durbin Watson d statistic whose value is 0.002. The results indicate.	A. Positive serial correlation B. the presence of multicollinearity C. No serial correlation D. Negative serial correlation
14	The data indicates that country A in billions of rupees is experiencing a	A. A deficit of Rs.60 B. A surplus of Rs. 300 C. Deficit of Rs.900 D. A deficit of Rs. 500
15	An adverse supply shock that is permanent shifts which curve in addition to the curves shifted by. One that is temporary.	A. The LM curve B. The IS curve C. The FE line D. The labor demand curve
16	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
17	Fractional unemployment arises when	A. Unskilled or low skilled workers find it difficult to obtain desirable long term jobs B. Labor must be reallocated from industries that are shrinking to areas that are growing. C. Workers must search for suitable jobs and firms must search for suitable workers. D. Output and employment are below full employment levels
18	An increase in the real wage rate will cause.	A. The labor demand curve to shift to the right B. The labor demand curve to shift to the left C. The quantity of labor demanded to rise D. A movement along the labor demand curve
19	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.
20	Banks can create money	A. Only by illegally printing additional dollar bills B. By paying interest to their depositors C. By making loans that result in additional deposits D. By offering financial services, such as stock market brokerage