

PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	In the Keynesian model in the long run an increase in the money supply will raise	A. The price level but not the level of output B. The level of output but not the price level C. Both the level of output and the price level D. Neither the level of output nor the price level
2	If the economy is in equilibrium at Rs. 180 billion and taxes are reduced by Rs.20 billion, find the new equilibrium given that this is a simple economy i.e. exogenous government spending tax collection and investment spending and a marginal propensity to consume of75	A. 60 B. 200 C. 250 D. 240
3	If the price level for an economy was 100 in 1984, 115 in 1985 and 125 in 1986 the rate of inflation between 1985 and 1986 was.	A. 105 B. 8% C. 8.7% D. 17.5%
4	When the price level increases 25% starting from a price level equal to 100, a Rs. 1000 bond will have a real value of .	A. Rs. 800 B. Rs.1250 C. Rs.750 D. Rs.666
5	The short run impact of unanticipated expansionary monetary policy is that.	A. Real output decrease B. Employment decreases C. Real interest rates decrease D. Profit margins decrease
6	The gift exchange motive suggests that	A. Workers value benefits like health insurance more than job security B. Workers prefer a nice work environment even if they must accept lower wages. C. Workers who feel well treated will work harder and more efficiently D. Workers will shirk if they are paid a low wage
7	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
8	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
9	Total factor productivity growth is that part of economic growth due to.	A. Capital growth plus labor growth B. Capital growth less labor growth C. Capital growth times labor growth D. Neither capital growth nor labor growth
10	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.
11	When a British pound equals Rs. 1.60 and the French France equals Rs. 0.40 the ability to	A. 1 franc = 4 pounds B. 1 franc = 1 pound

	earn infinite profit if it were not the case, implies that the exchange rate would be.	C. 5 tranc = 1 pound D. None of the above
12	In the long run an increase in consumer spending would cause output to and the price level to	A. rise;rise B. rise; stay; constant C. stay constant; stay constant D. Stay constant; rise
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	The value of real GDP in the current year equals.	A. The value of current year output in prices of the base year B. The value of current year output in pries of the current year C. The value of base year output in prices of the base year D. The value of base year output in prices of the current year
15	Dynamic multipliers occur when	A. the assumption of ceteris paribus is dropped B. The economy is not in equilibrium C. Consumption is unrelated to disposable income D. there is lagged response between consumption and disposable income
16	Characteristics of economic laws are	A. Mere statement of economic tenduencies B. Less certain C. Hypothetical D. All of the above
17	An economy is in inflationary equilibrium A sustained increase in government appending shifts.	A. DAD rightward for one period B. DAD and DAS right ward permanently C. DAD right ward and a new equilibrium D. DAD right ward and a new equilibrium.
18	Which theory is generally included under micro economics.	A. Price theory B. Income theory C. Employment theory D. None of the above
19	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
20	The negative relation ship between unemployment and inflation is know as the	A. Aggregate supply curve B. Aggregate demand curve C. Philipps curve D. Efficiency wage line