

PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	When the marginal propensity to consume is 0.75 the multiplier has a value of.	A. 4 B. 5 C. 3 D. 2
2	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
3	A nation experience external balance if it achieves.	A. No net changes in its international gold stocks B. Productivity levels equal to those of its trading partners C. An increases in its money supply equal to increases overseas D. Equilibrium in its balance of payments
4	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
5	An expansionary supply side shock results in.	A. An increased real national income B. The aggregate supply curve shifting to the left C. The aggregate demand curve shifting to the right D. The aggregate demand curve shifting to the left
6	Which of the following will not result in an increase in the level of income.	A. An increase in autonomous spending B. A decrease in autonomous taxes C. An increase in autonomous transfers D. an increased in net tax revenues
7	Suppose the government provides a tax cut today that is matched by a tax increase in the future that's equal in present value to the tax cut This causes a consumer's saving to.	A. Decrease B. Increase C. Remain unchanged D. Increase if the person was a lender and decrease if the person was a borrower
8	According to Keynesians the primary source of business cycle fluctuation is.	A. Aggregate demand shocks B. Productivity shocks C. Oil price shocks D. Consumer confidence shocks
9	Quality controlleers at the LMN corporation formulate the null hypothesis that the proportion of defective items in the production line is 10% they reject this hypothesis when they find 12 defective items in 100. If the defective rate is really 10% What type of error did they make.	A. Standard error of the mean B. A type II error C. A type I error D. The error probability
10	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
		A. shift the Philips curve upward B. shift the phillips curve downward

		the right D. Shift the long-run phillips curve to the left
12	The dynamic aggregate demand schedule shifts rightward when there is an increase in.	A. The expected rate of inflation ceteris paribus B. The growth rate of the nominal money supply ceteris paribus C. The income tax rate ceteris paribus D. the current inflation rate celeries paribus
13	The key difference between classical and Keynesian macro economist is their differing beliefs about.	A. The slope of the aggregate demand curve B. The speed at which prices adjust C. The natural rate of unemployment D. The full employment level of output
14	The main cause of cyclical unemployment is that.	A. Firms engage in race gender and sex discrimination in their hiring practices. B. Some induvial do not have marketable job skills. C. the level of overall economic activity fluctuates D. Workers offer voluntarily quit a job to look for a better job.
15	The government budget surplus equals	A. Government purchases plus transfers B. Net government receipts minus government purchases C. Government purchases minus net receipts D. Government purchases minus transfers.
16	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
17	An increase in the expected future marginal product of capital would cause the IS curve to.	A. Shift up and to the right B. Shift down and to the left C. Remain unchanged if firms face borrowing constraints otherwise shift down and to the left D. Remain changed
18	If GNP = 1,000 billion and the money supply is 330 billion , then the velocity of money is.	A. A value less than 1.4 B. 3.33 C. 1.48 D. 3.03
19	The impact of contractionary fiscal policy, according to new classical theory is that.	A. Real interest rates do not change B. Aggregate demand increase C. Current real output substantially decreases D. The price level substantially increases.
20	If the quantity of money demands is less than the quantity of money supplied then the interest rate will.	A. Either increases or decrease, depending on the amount of excess demand. B. Increase C. Decrease D. not change