

PPSC Economics Topic 3 Macro Economics

Sr	Questions	Answers Choice
1	An efficient economy is an economy	<p>A. In which output is steady or growing and there is low inflation</p> <p>B. That produces what consumers demand and does so at the least possible cost.</p> <p>C. that distributes output equally among all consumers</p> <p>D. In which there is a fair distribution of wealth.</p>
2	Expansionary monetary policy	<p>A. Tends to lead to an appreciation of nation's currency</p> <p>B. Usually has no effect on a currency's exchange value</p> <p>C. Tends to lead to a depreciation of the currencies of other nations</p> <p>D. Tends to lead to a depreciation of a nation's currency.</p>
3	When investment spending is negatively related to the rate of interest, equilibrium income in the goods market.	<p>A. Is unrelated to the rate of interest</p> <p>B. Is positively related to the rate or interest</p> <p>C. Inversely related to the rate of interest</p> <p>D. Falls as the rate of interest decreases</p>
4	The long run aggregate supply curve.	<p>A. Is vertical</p> <p>B. Slopes upward</p> <p>C. Is horizontal</p> <p>D. Slopes downward</p>
5	The Keynesian theory is consistent with the business cycle fact that inflation is	<p>A. Procyclical and leading</p> <p>B. Procyclical and lagging</p> <p>C. Countercyclical and leading</p> <p>D. All of these</p>
6	"An Enquiry into the Nature and causes of wealth of Nations" is the book of economist.	<p>A. Adam smith</p> <p>B. Marshall</p> <p>C. Robbins</p> <p>D. None of above</p>
7	In the long run a reduction in labor supply would cause output to _____ and the aggregate price level to.	<p>A. fall; rise</p> <p>B. fall ; fall</p> <p>C. rise ; fall</p> <p>D. rise; rise</p>
8	Which of the following does not result in an increase in U.S. autonomous net exports.	<p>A. The U.S. dollar depreciated</p> <p>B. Major trading partners stimulate their economy</p> <p>C. Foreign currencies depreciate</p> <p>D. Foreign trading partners lift tariff barriers</p>
9	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 of .75	<p>A. 60</p> <p>B. 200</p> <p>C. 250</p> <p>D. 240</p>
10	Which of the following is a NOT component of M-2.	<p>A. Small time deposited</p> <p>B. Money market mutual funds</p> <p>C. Stocks</p> <p>D. Checkable deposits</p>
11	When all markets in the economy are simultaneously in equilibrium we say.	<p>A. Markets are complete</p> <p>B. Markets are perfect</p> <p>C. There is disequilibrium</p> <p>D. There is general equilibrium.</p>
12	The natural rate of unemployed is generally thought of as the.	<p>A. Ratio of the frictional unemployment rate to the cyclical unemployment rate</p> <p>B. sum of structural unemployment and cyclical unemployment</p> <p>C. sum of frictional unemployment</p>

		and cyclical unemployment D. sum of frictional unemployment and structural unemployment.
13	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
14	Which of the following is incorrect with respect to the consumption diagram.	A. the interest rate is a premium B. $MRS = (i + r)$ C. The consumer will be lender in time zero D. The consumer lends 700
15	What is the average money balance according to the square root rule if income is Rs.1500, each transaction cost is Rs.4, and the opportunity cost of holding money is .2%	A. 387 B. 50 C. 175 D. 203
16	When planned saving equals Rs.40+0.20 Yd and planned investment is rs. 60, the equilibrium level of income in.	A. Rs. 100 B. Rs. 400 C. Rs.500 D. Rs.1000
17	If the reserve deposit ratio is 0.25 and the ratio of currency in circulation to deposits is 0.3, the potential money multiplier will have a value of.	A. 2.36 B. 0.42 C. 1.20 D. 0.96
18	Which of the following is not a category of consumption spending in the national income accounts.	A. Consumer durables B. Non durable goods C. Services D. Housing Purchases
19	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
20	If investors expectations concerning the future are positive and thus increase investment at every interest rate the.	A. IS curve would shift up B. IS curve would shift down C. LM curve would shift down D. IS and LM curves will not shift