

PPSC Economics Full Book MCQ Test

Sr	Questions	Answers Choice
1	The ratio of debt to GDP will be larger	A. The lower the real interest rate B. The lower the growth rate of output C. The lower the initial debt ratio D. The lower the ratio of the primary deficit to GDP
2	The relation between M2 and inflation is tighter than the relation between M1 and inflation because.	A. M1 is larger than M2 B. The demand for M2 is more stable C. M1 includes more liquid assets than M2 D. None of the above answers is correct.
3	Those who favor setting the target rate of inflation at about 3% believe.	A. The cost of moderate inflation can be minimized by indexing the tax system and bonds B. that the cost of going to 0% is very low C. That moderate inflation increases money illusion D. Believe that moderate inflation aggravates the time inconsistency problem
4	Monetary policy can affect output.	A. this statement is always true B. This statements always false C. This statement is true only in the short run D. This statement is true only in the medium run and the long run
5	Net taxes are.	A. Government expenditures minus government revenues. B. Taxes paid by firms and households to the government minus the transfer payments made to firms and household. C. Taxes paid by firms and household to the government plus transfer payments made to firms and household. D. Taxes paid by firms and household to the government minus the cost of collecting the taxes.
6	A Political problem with discretionary fiscal policy is the.	A. Contractionary bias B. Big state bias C. Expansionary bias D. Over reaction bias
7	Which of the following would qualify as an aggregate demand shocks.	A. An unexpected increase in oil prices B. A seasonally expected increase in oil prices C. An unexpected reduction in consumer confidence D. an anticipated tax cut
8	Which of the following would qualify as an aggregate supply shock.	A. An unexpected increase in oil prices B. Seasonally expected increase in oil prices C. An unexpected reduction in consumer confidence D. an anticipated tax cut
9	Short run contractionary Fiscal policy would result in.	A. Aggregate demand moving to the right B. Aggregate supply moving to the right C. Aggregate demand moving to the left D. Aggregate supply moving to the left

10	An example of nondiscretionary fiscal policy would be.	A. The operation of the welfare state B. A Federal jobs program adopted to stimulate consumption C. A tax cut adopted to stimulate consumption D. An interest rate cut implemented to stimulate consumption
11	An example of discretionary fiscal policy would be.	A. The operation of the welfare state B. The operation of the progressive federal income tax C. A tax cut adopted to stimulate consumption D. An interest rate cut implemented to stimulate consumption
12	Fiscal policy is purposeful movements in _____ designed to direct an economy	A. Interest rate B. Legal structures C. Government regulations D. Government spending and taxes
13	The purpose of fiscal policy is to	A. Alter the direction of the economy B. Change people's attitudes toward government C. Educate people as to the importance of economics D. Offer insight into the way things work
14	By controlling the monetary base economists mean	A. Controlling the money multiplier B. Restricting the amount of cash in circulation C. Not allowing commercial banks to issue notes and coins D. Making banks keep a certain % of their assets as M0
15	If the Bank of Pakistan wished to pursue an expansionary monetary policy it would.	A. Increase the minimum reserve asset ratio B. Sell government securities on the open market C. Buy government securities on the open market D. Raise interest rates.
16	If the Bank of Pakistan wished to pursue a tight monetary policy it would.	A. Sell government securities on the open market. B. Reduce the minimum reserve asset ratio C. Buy government securities on the open market. D. Lower interest rates
17	By financial crowding out economists mean	A. What the government borrows cannot be used for private investment B. Government borrowing drives up interest rates. C. Bank of England controls on commercial bank lending D. Credit rationing
18	The idea that the money supply should change to accommodate changes in aggregate demand is associated with the ideas of.	A. Milton Friedman B. Ronald Reagan C. Margaret Thatcher D. John Maynard Keynes
19	Following the work of _____ in the 1960s, and the controversy associated with these views in the 1970s, there was a revival of interest by economists and government in monetary policy.	A. Milton Friedman B. Ronald Reagan C. Margaret Thatcher D. John Maynard Keynes
20	As the required reserve ratio is decreased the money multiplier.	A. Could either increase or decrease B. Remains the same as long as banks hold no excess reserves C. Increase D. Decreases
21	The parable of Riding a Switchback suggests that stabilizing policy.	A. Is not sufficiently stimulating or contracting the economy at any time B. Is desirable C. Is effective D. Is stimulating or contracting the economy at the wrong times.
22	_____	A. Much longer than it is for fiscal policy B. Unrelated to central bank action

22	The implementation lag for monetary policy is generally	B. unrelated to central bank action. C. The same as it is for fiscal policy D. Much shorter than it is for fiscal policy.
23	Time lags which often erode effectiveness of monetary and fiscal policy measures represent.	A. The change in export and import price. B. Delays in the response of the economy to stabilization policy. C. The foreign response to price changes D. The change in exchange rates
24	The budget deficit tends to decrease when	A. GDP increases B. GDP decreases rapidly C. GDP remains unchanged D. GDP decreases slightly
25	The negative effect on the economy that occurs when average tax rates increases because taxpayers have moved into higher income brackets during an expansion is.	A. Fiscal drag B. The Laffer curve C. Bracket creep D. Debt burden
26	Fiscal policy refers to.	A. The actions of the central bank in controlling the money supply B. The government's attitude to taxation C. The spending and taxing policies used by the government to influence the economy D. The governments regulation of financial intermediaries.
27	According to the supply side model a reduction in the tax rate.	A. Could reduce the size of any budget deficit B. Would have no effect on output C. Would have no effect on consumption D. None of the above
28	The quantity theory of money allows monetarists to obtain a number of economics predictions by assuming a constant.	A. Velocity of money B. Nominal output C. Overall price level D. Stock of money
29	At any given level of the interest rate expectations are likely to be _____ optimistic and planned investment is likely to be _____ when _____ is growing rapidly than when it is growing slowly or falling.	A. Less ; higher ; output. B. more ; higher ; output C. less ; lower ; unplanned investment D. more ; lower ; unplanned investment
30	Keynes suggested that _____ income households consume a _____ proportion of their income than _____ income households.	A. Low ; smaller ; high B. Low ; larger ; high C. low ; smaller ; middle D. High ; larger ; low