

PPSC Economics Full Book MCQ Test

Sr	Questions	Answers Choice
1	The market price of bonds can fluctuate depending on	A. How many bonds were sold B. Who bought the bonds C. The amount of the coupon D. The interest rate
2	During periods of negative demand shocks deficit target reductions such as those mandated in the Gramm Rudman Hollings Act would tend to.	A. Stimulate the economy and increase employment. B. Result in additional recessionary declines in employment and income C. Stimulator defiance spending D. Have an automatic stabilizing impact upon the economy
3	The ____ lag for fiscal policy is generally ____ than it is for monetary policy.	A. Recognition ; shorter B. Recognition ; longer C. Implementation ; shorter D. Implementation ; longer
4	Employment tends to _____ whwn aggregate output.	A. rise, falls B. rise ; rises C. falls; rises D. Not change ; falls
5	In the 1930s, when Keynes was alive a expansionary fiscal policy taking everything else constant would have led to.	A. A relative large increase in Y, a smaller increase in P B. A relative large increase in P, a smaller increase in Y C. Both Y and P increasing with an percentage D. Only Y increase
6	An increase in oil prices, such as the oil shocks in the 70 s, lead to _____ there by causing _____	A. A movement along the AS curve cost push inflation B. A leftward shift in the AS curve demand pull inflation. C. A right ward shift in the AS Curve cost push inflation D. a left ward shift in the AS curve cost push inflation
7	Under a fixed exchange rate system an expansionary fiscal policy leads to a	A. Trade account deficit and a capital account surplus. B. Trade account deficit and a capital account deficit C. Trade account surplus and a capital account surplus D. Trade account surplus and a capital account deficit
8	Under system fixed exchange rates which of the following policies promotes internal balance for a nation.	A. Fiscal policy B. Monetary policy C. Both fiscal policy and monetary policy D. Neither fiscal policy nor monetary policy
9	Given fixed exchange rates assume Pakistan initiates contractionary monetary ad fiscal policies to combat inflation. these policies will also.	A. Reduce a balance of payments surplus B. Reduce a balance of payments deficit C. Increases both imports and exports D. Decrease both imports and exports
10	Which policies are expenditure changing policies.	A. Currency devaluation and revaluation B. Import quotas and tariffs C. Monetary and fiscal policy D. Wage and price controls
11	When a government prints money to finance its expenditures it is likely to cause	A. Unemployment B. Inflation C. Deflation D. Reductions in the use of barter

12	Large difference in inflation rates among countries are almost always the result of large difference in.	A. Productivity B. Real income growth C. The growth rates of real money demand D. The growth rates of nominal money supplies
13	The real money demand doubles while the nominal money supply is unchanged what happens to the price level.	A. The price level increase by a factor of four B. The price level doubles C. The price level is unchanged D. The price level falls by one half.
14	If the nominal money supply doubles while real money demand is unchanged what happens to the price level.	A. The price level increases by a factor of four B. The price level doubles C. The price level is unchanged D. The price level falls by one half.
15	Suppose a new law imposes a tax on all trades of bonds and stock What is the likely effect on money demand.	A. Money demand declines first then rises when inflation increases B. Money demand rises C. The overall effect is ambiguous D. Money demand declines
16	If there is a financial panic and increased uncertainty about the return in the stock market and bond market what is the likely effect on money demand.	A. Money demand declines first then rises when inflation increases B. Money demand rises C. The overall effect is ambiguous D. Money demand declines
17	Over time the wealth of society increases and payments technologies get more efficient What is the effect on money demand of these two changes.	A. Money demand rises proportionately to the rise in wealth. B. Money demand rises, but less than proportionately to the rise in wealth. C. The overall effect is ambiguous D. Money demand declines
18	An increase in expected inflation is likely to cause.	A. A decline in the demand for real balances B. an increase in the demand for real balances. C. No change in the demand for real balances D. No change in the demand for real balances only if the income elasticity of real money demand is zero.
19	The opportunity cost of holding currency decreases when	A. Income decreases B. The interest rate on bonds decreases C. The interest rate on money decreases D. Wealth decreases
20	The opportunity cost of holding currency decreases when.	A. Income decreases B. The interest rate on bonds decreases C. Buying newly issued government bonds directly from the central bank D. Buying newly issued government bonds directly to the central bank.
21	What's the most common way for a central bank to reduce the money supply.	A. Collect higher taxes B. Sell bonds to the public C. Buy bonds from the government D. Buy bonds from the public
22	Weighted monetary aggregates	A. Ignore the fact that some assets are more money like than others. B. Are constructed by simply adding up the outstanding amounts of various types of assets C. Give greater weight to currency than to savings deposits D. Value coins more than currency.
23	Which of the following measures is the best measure of money as a medium of exchange.	A. M1 B. M2 C. M3 D. None of the above
24	One of money's primary roles in the economy comes from the use of money to transfer purchasing power to the future This role of money is called.	A. store of value B. Unit of account C. Medium of exchange D. Standard of deferred payment

A. Because banks might steal your

25	Why do people keep currency in their pockets when bank deposits pay interest.	A. Because banks might steal your money B. Because currency is more liquid C. Because bank deposits lose value due to inflation D. Because bank deposits lose value due to exchange in interest rates.
26	A good that is used as a medium of exchange as well as being a consumption good is called.	A. A barter money B. A commodity money C. A legal tender D. A debased money
27	Money's primary role in the economy comes from the benefits of lowering transactions costs and allowing specialization. This function of money is called.	A. Store of value B. Medium of exchange C. Standard of deferred payment D. Unit of account
28	In economics money refers to	A. Income B. Wealth C. Assets used and accepted as payment D. Currency
29	The use of money is more efficient than barter because the introduction of money	A. Reduces the need for economic specialization B. Reduces the need to exchange goods C. Reduces the need for other stores of value D. Reduces transaction costs
30	A major advantage of monetary over fiscal policy is that monetary policy	A. Can be put into effect more quickly B. Affects all sectors of the economy equally C. Authorities are quicker to see the need for policy D. Has a more direct and predictable impact on spending.