

PPSC Economics Full Book MCQ Test

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	In the Keynesian model in the long run a decrease in the money supply will cause ____ in the interest rate and ____ in the price level.	A. An increase ; an increase B. A decrease ; a decrease C. No change ; an increase D. No change ; a decrease
3	In the Keynesian model which curve is vertical.	A. LRAS B. SRAS C. AD D. NS
4	In the Keynesian model short run equilibrium occurs where	A. The IS and LM curves intersect B. The IS curve LM curve and FE lines intersect C. the IS curve intersects the FE line D. The LM curve intersects the FE line
5	in the keynesian model in the short run the amount of employment is determined by the effective labor demand curve and the level of.	A. Prices B. Output C. The real interest rate D. The supply of labor
6	A model in which individual producers act as price setters because there are only a few sellers and the product they sell is not standardized, is called.	A. Imperfect competition B. Perfect competition C. Monopoly D. Monopsony
7	The efficiency wage model can be modified to allow real wages to vary over the business cycle by assuming that.	A. Workers effort may depend on the unemployment rate and the real wage B. During a recession labor supply will decrease reducing the efficiency wage C. During a recession productivity will fall causing a reduction in the efficiency wage D. During a boom labor demand will increase, causing the efficiency wage to rise
8	According to the efficiency wage model during a recession firms will not reduce real wages because.	A. Unions would go on strike reducing profitability B. This would reduce worker effort and productivity. C. The equilibrium real wage has increased D. Legally, they can't
9	In the efficiency wage model if the real wage is higher than the market clearing wage so that there is an excess supply of labor.	A. Firms will hire new workers at lower wages B. Firms will replace high paid workers with low paid formerly unemployed workers C. Employers will not hire workers who are willing to work for a lower wage. D. Firms will demand a higher level of effort from existing employees
10	In the efficiency wage model with the efficiency wage above the market clearing wage when employment is at its full employment level.	A. Labor supply equals labor demand B. There is an excess supply of labor C. there is an excess demand for labor D. There could be either an excess demand for or an excess supply of labor

11	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
12	For a borrower an increase in the real interest rate will lead to.	A. Higher current consumption and less borrowing B. Higher current consumption and less saving C. Lower current consumption and less borrowing D. Lower current consumption and less saving
13	The substitution effect of a decrease in real interest rates is to cause a consumer to.	A. Increase future consumption and decrease current consumption B. Decrease future consumption and increase current consumption C. Increase current consumption and increase saving D. Decrease current consumption and increase saving.
14	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
15	A temporary decrease in government purchases would cause.	A. A rightward shift in the saving curve and a leftward shift in the investment curve B. A rightward shift in the saving curve and a rightwards shift in the investment curve. C. A right ward shift in the saving curve but no shift in the investment curve D. No shift in the saving curve but a left ward shift in the investment curve.
16	An increase in the expected real interest rate tends to.	A. Raise desired saving only B. Raise desired investment only C. Raise both desired savings and desired investment D. Raise desired savings, but lower desired investment.
17	When desired national saving equals desired national investment what market is in equilibrium.	A. The goods market B. The money market C. The foreign exchange market D. The stock market
18	Suppose your company is in equilibrium will its capital stock at its desired level A permanent increase in the depreciation rate now has what effect on your desired capital stock. i	A. Raises it because the future marginal productivity of capital is higher B. Lowers it because the future marginal productivity of capital is lower C. Raises it because the user cost of capital is now lower D. Lowers it beacause the user cost of capital is now higher
19	Suppose your company is in equilibrium with its capital stock at the desired level A permanent decline in the expected real interest rate now has what effect on your desired capital stock	A. Raises it because the future marginal productivity of capital is higher B. Lowers it because the future marginal productivity of capital is lower C. Raises it because the user cost of capital is now lower D. Lowers it because the user cost of capital is now higher
20	A technological improvement will	A. Increases the desired capital stock B. Decrease the desired capital stock C. Have no effect on the desired capital stock D. Have the same effect on the desired capital stock as an increase in corporate taxes

		in corporate taxes.
21	Desired national saving would increase unambiguously if there were	A. An increase in current output and expected future output B. An increase in expected future output and government purchases C. An increase in expected future output and the expected real interest rate D. A fall in both government purchases and expected future output
22	The yield curve shows	A. The yields on stocks of different maturities B. The interest rates on bonds of different maturities. C. The yields on stocks with differing default risk D. The yields on bonds with differing default risk
23	When a person received an increase in wealth, what is likely to happen to consumption and saving.	A. Consumption increase and saving increases. B. Consumption increases and saving decreases C. Consumption decreases and saving increases D. Consumption decreases and saving decreases
24	The fraction of additional current income that a person consumes in the current period is known as the	A. Consumption smoothing motive B. Consumption deficit C. Saving rate D. marginal propensity to consume
25	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
26	In long run a reduction in labor supply would cause output to ___ and the aggregate price level to.	A. fall ; rise B. fall ; fall C. rise ; fall D. rise ; rise
27	In the long run a reduction in labor supply would cause output to _____ and the aggregate price level to.	A. fall; rise B. fall ; fall C. rise ; fall D. rise; rise
28	In the long run, an increase in productivity would cause output to _____ and the aggregate price level to	A. fall ; rise B. fall ; fall C. rise ; fall D. rise ; rise
29	According to Keynesian macro economics price adjust _____ to shocks, so the government should.	A. Slowly ; do little B. Rapidly ; do little C. Rapidly ; fight recessions D. Slowly ; fight recessions
30	In the long run an increase in government purchases of military equipment would cause output to _____ and the aggregate price level to	A. Stay constant fall B. fall ; fall C. fall ; stay constant D. stay constant ; rise