

PPSC Economics Full Book MCQ Test

Sr	Questions	Answers Choice
1	The aggregate demand curve shows the combinations of output and the price level that put the economy on.	A. The FE line and the IS curve B. The FE line The IS curve and the LM curve C. The IS curve D. The IS curve and the LM curve
2	Classical economics believe that in the short run.	A. Money neutrality exists and prices adjust rapidly B. Money neutrality does not exist and prices adjust rapidly C. Money neutrality does not exist and prices adjust rapidly D. Money neutrality exists and prices do not adjust rapidly.
3	Keynesian economists think general equilibrium is not attained quickly because.	A. The real interest rate adjusts slowly B. The level of output adjusts slowly C. The real wage rate adjusts slowly D. The price level adjusts quickly
4	Classical economics think general equilibrium is attained relatively quickly because.	A. The real interest rate adjusts quickly B. The level of output adjusts quickly. C. The real wage rate adjusts quickly D. The price level adjusts quickly.
5	Which of the following is a NOT component of M-2.	A. Small time deposited B. Money market mutual funds C. Stocks D. Checkable deposits
6	Suppose the intersection of the IS and LM curves is to the left of the FE line A decrease in the price level would most likely. eliminate a disequilibrium among the asset labor and goods markets by.	A. Shifting the LM curve down and to the right B. Shifting the IS curve up and to the right C. Shifting the IS curve down and to the left D. Shifting the FE curve to the left
7	Which market adjusts the quickest in response to shocks to the economy.	A. The asset market B. The labor market C. The goods market D. In the macro economy
8	An adverse supply shock that is permanent shifts which curve in addition to the curves shifted by. One that is temporary.	A. The LM curve B. The IS curve C. The FE line D. The labor demand curve
9	After a temporary beneficial supply shock hits the economy general equilibrium is restored by	A. A shift down and to the left of the IS curve B. A shift to the left of the FE line C. A shift up and to the left to the LM curve D. A shift down and to the right of the LM curve
10	What adjusts to restore general equilibrium after a shock to the economy.	A. The LM curve B. The IS curve C. The FE line D. The labor supply curve
11	When all markets in the economy are simultaneously in equilibrium we say.	A. Markets are complete B. Markets are perfect C. There is disequilibrium D. There is general equilibrium.
12	An increase in wealth that doesn't affect labor supply would cause the IS curve to _____ and the FE line to _____	A. Shift down and to the left be unchanged B. Shift down and to the left shift left C. Shift up and to the right be unchanged D. Shift up and to the right shift left

13	A change that increase real money demand relative to the real money supply causes.	A. The LM curve to shift down and to the right B. The LM curve to shift up and to the left C. The IS curve to shift down and to the left D. The IS curve to shift up and to the right
14	A change that increases the real money supply relative to real money demand causes.	A. The LM curve to shift down and to the right. B. The LM curve to shift up and to the left C. The IS curve to shift down and to the left D. The IS curve to shift up and to the right.
15	A rise in the price of bond causes the yield of the bond to.	A. Rise B. Fall C. Remain unchanged D. Rise if it's a short term bond, fall if it's a long term bond
16	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
17	A decrease in wealth would cause the IS curve to	A. Shift up and to the right B. Shift down and to the left C. Remain unchanged D. Shift up and to the right only in people face borrowing constraints.
18	A temporary decline in productivity would cause the IS curve to.	A. Shift up and to the right B. Shift down and to the left C. Remain unchanged D. Shift up and to right only if people face borrowing constraints
19	An increase labor supply would cause the IS curve to.	A. Shift up and to the right B. Shift down and to the left C. Remain unchanged D. Shift up and to the right only if people face borrowing constraints
20	A decrease in the effective tax rate on capital would cause the IS curve to.	A. Shift up and to the right B. shift down and to the left C. Remain unchanged D. Remain unchanged if taxes are fully deductible from income otherwise, shift up and to the right
21	A decline expected future output would cause the IS curve to.	A. Shift up and to the right B. Shift down and to the left C. Remain unchanged D. shift up and to the right only if people face borrowing constraints.
22	The IS curve shows the combinations of output and the real interest rate for which.	A. The goods market is in equilibrium B. The labor market is in equilibrium. C. The financial assets market is in equilibrium D. An increase in output will cause the market clearing interest rate to be bid up.
23	A disadvantage of the barter system is that	A. No trade occurs B. People must produce all their own food clothing and shelter C. The opportunity to specialize is greatly reduced. D. Gold is the only unit of account
24	Economists use the phrase ceteris paribus to express the assumption.	A. All else equal B. Everything affects everything else. C. Scarcity is a fact of life D. There is no such thing as a free lunch
25	If the demand for coffee decreases as income decreases, coffee is a	A. Normal good B. Inferior good C. Substitute good D. Complementary good

26	Which of the following solutions does the economist suggest to cost inflation in higher education.	A. Cutting professor salaries B. Make students live at home C. Reduce college from four to three years D. B and C
27	An efficient economy is an economy	A. In which output is steady or growing and there is low inflation B. That produces what consumers demand and does so at the least possible cost. C. that distributes output equally among all consumers D. In which there is a fair distribution of wealth.
28	As the economy nears full capacity the short run aggregate supply curve	A. Stagflation B. Structural inflation C. Demand side inflation D. Supply side inflation
29	The main cause of cyclical unemployment is that.	A. Firms engage in race gender and sex discrimination in their hiring practices. B. Some individuals 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.
30	Which of the following actions is an example of expansionary fiscal policy.	A. A decrease in welfare payments B. A purchase of government securities in the open market C. A decrease in the Bank rate D. A decrease in the corporate profits tax rates