PPSC Economics Full Book MCQ Test

Sr	Questions	Answers Choice
1	An increase in total production causes the demand for money to _____ and the interest rate to ______	A. Increase ; increase B. Increase ; decrease C. decrease ; decrease D. decrease,; increase
2	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
3	Banks can create money	A. Only by illegally printing additional dollar bills B. By paying interest to their depositors C. By making loans that result in additional deposits D. By offering financial services, such as stick market brokerage
4	The ratio of the change in the equilibrium level of income to a change in some automats increase in spending is the	A. Elasticity coefficient B. Multiplier C. Automatic stabilizer D. Marginal propensity of the autonomous variable
5	The natural rate of unemployed is generally thought of as the.	A. Ratio of the frictional unemployment rate to the cyclical unemployment rate B. sum of structural unemployment and cyclical unemployment C. sum of frictional unemployment and cyclical unemployment D. sum of frictional unemployment and structural unemployment.
6	Expansionary monetary policy	A. Tends to lead to an appreciation of nation's currency B. Usually has no effect on a currency's exchange value C. Tends to lea dto a depreciation of the currencies of other nations D. Tends to lead to a depreciation of a nation's currency.
7	Deflation occurs only when	A. Some prices fall but average prices still rise B. All prices for all goods fall C. The average price level falls D. The average price level increases bat at a slower rate than before
8	The reason that only final sales are counted in GDP is	A. To avoid double counting good that are sold so as to be resold B. To not count production in other countries C. Because the government can't get records on intermediate sales. D. To simplify the computation and no other reason
9	According to Okun's law an increase in the unemployment rate will cause_______ in the level of empolyment and __ in the level of output.	A. An increase ; an increase B. An increase; a decrease C. A decrease ; an increase D. a decrease ; a decrease
10	Fractional unemployment arises when	A. Unskilled or low skilled workers find it difficult to obtain desirable long term jobs B. Labor must be reallocated from industries that are shrinking to areas that are growing. C. Workers must search for suitable jobs and firms must search for suitable workers

		suitable workers. D. Output and employment are below full employment levels
11	Full- employment output is the level of output that firms in the economy supply when	A. Taxes are zero B. Wages and prices have fully adjusted C. The unemployment rate in zero D. All capital is fully utilized
12	The equilibrium level of employment achieved after the complete adjustment of wages and prices, is known as the.	A. Zero unemployment level of employment B. Natural state C. Invisible handshake D. Full employment level of employment
13	The aggregate supply of labor is the	A. Total amount of time a person works over his or her lifetime B. Total amount of time a person spend in the labor force over his or her life time C. Unemployment rate D. Sum of the labor supplied by everyone in the economy
14	Which of the following events would lead to an increase in the marginal product If labor for every equantity labor.	A. An increase in the real wage B. A decrease in the real wage C. A favorable supply shock such as a fall in the price of oil D. an adverse supply shock such as a reduced supply of raw materials.
15	Firms hire labor at the point where the	A. Nominal wage rate equals the marginal product of labor B. Real wage rate equals the marginal revenue product of capital C. Nominal wage rate equals the marginal revenue product of labor D. Real wage rate equals the marginal revenue product of capital
16	What tow factors should you equate in deciding how many workers to employ.	A. The marginal product of labor and the marginal product of capital B. The marginal product of labor and the real wage rate C. The marginal product of labor and the real interest rate D. The marginal product of capital and the real wage rate
17	An increase in the number of workers hired by a firm could result from	A. a decrease in the marginal product of labor B. a decrease in the marginal revenue product of labor C. An increase in the real wage D. A decrease in the real wage
18	An increase in the real wage rate will cause.	A. The labor demand curve to shift to the right B. The labor demand curve to shift to the left C. The quantity of labor demanded to rise D. A movement along the labor demand curve
19	The fac that the production function relating output to labor becomes flatter as wemove from left to right means that.	A. The marginal product of labor is positive B. The marginal product of capital is positive C. There is diminishing marginal productivity of labor D. There is diminishing marginal productivity of capital
20	The two main characteristics of the production function are.	A. It slopes downward from left to right and the slope become flatter as teh input increases B. It slopes upward from left to the right the slope becomes steeper as the input increase C. It slopes upward from left to right unput increases D. It slopes downward from left to right and the slope becomes steeper ath the input increase
		A. The labor demand curve to shift to the right

21	An increase in the real wage rate will cause	the right B. The labor demand curve to shift to the left C. The quantity of labor demanded to rise D. A movement along the labor demand curve
22	An invention that speeds up the internet is an example of.	A. An income effect B. An increase in labor C. A substitution effect D. A supply shock
23	The fact that the production function relating output to labor becomes flatter as we move from left to right means that.	A. The marginal product of labor is positive B. The marginal product of capital is positive C. There is diminishing marginal productivity of labor D. there is diminishing marginal productivity of capital
24	The marginal product of labor	A. Is measured by the slope of the production function relating capital of employment B. Is larger when the labor supply is relatively larger C. Is smaller when the labor supply is relatively smaller D. Decreases as the number of workers already employed increases
25	The fact that the Production function relating output to capital becomes flatter as we move from left to right means that.	A. The marginal product of labor is positive B. The marginal product of capital is positive C. There is diminishing marginal productivity of labor D. There is diminishing marginal productivity of capital
26	A mathematical expression relating the amount of output produced to quantities of capital and labor utilized is the	A. Real interest rate B. Production function C. Productivity relation D. Marginal product
27	The expected real interest rate minus expected inflation rate.	A. Nominal interest rate minus inflation rate B. Nominal interest rate minus expected inflation rate. C. Expected nominal interest rate minus inflation rate D. Nominal interest rate plus expected inflation rate.
28	The normal interest rate minus the inflation rate is the	A. Depreciation rate B. Discount rate C. Real interest rate D. Forward rate
29	A mathematical expression relating the amount of output produced to quantities of capital and labor utilized is the.	A. Real interest rate B. Productivity relation C. Production function D. Marginal product
30	The nominal interest rate minus the inflation rate is the	A. Depreciation rate B. Discount rate C. Forward rate D. Real interest rate