PPSC Economics Topic 3 Macro Economics

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	An economy is in inflationary equilibrium A sustained increase in government appending shifts.	A. DAD rightward for one period B. DAD and DAS right ward permanently C. DAD right ward and a new equilibrium D. DAD right ward and a new equilibrium.
3	According to the permanent income hypothesis all increases in .	A. Permanent income are saved B. Permanent income are consumed C. transitory income are saved D. Transitory income are consumed
4	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
5	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.
6	Which of the following is incorrect with respect to the consumption diagram.	A. the interest rate is a premium B. MRS = (i +r) C. The consumer will be lender in time zero D. The consumer lends 700
7	Which of the following is not a category of consumption spending in the national income accounts.	A. Consumer durables B. Non durable goods C. Services D. Housing Purchases
8	Which of the following macro economic variables doesn't vary much ove the seasons.	A. The nominal money stock B. The unemployment rate C. The real wage D. Average labor productivity
9	When the export function is Rs.100-0.2 Y , net exports are 0 when income is .	A. Rs.300 B. Rs.400 C. Rs.500 D. Rs.600
10	The reduction of the inflation rate is called	A. Deflation B. Disinflation C. Inflation D. Reflation
11	The break even level of income where C = Y is	A. 200 B. 300 C. 500 D. 400
12	If the demand for coffee decreases as income decreases, coffee is a	A. Normal good B. Inferior good C. Substitute good D. Complementary good
13	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
14	In closed economic model aggregate demand is not sensitive to.	A. Interest rates B. Exchange rates C. Price level D. Tax policy
15	Given the IS equation Y = Ke a - Ke Bn the IS slope decreases when	A. Ke increase and b increases B. Ke decreases and b increases C. Ke increases and b decreases D. Ke decreas4es and b decreases
16	The origin of the idea of a trae off between inflation and unemployment was a 1958 article by	A. A.W Philips B. Edmund phelps C. Milton Friedman D. Robert Gordon
17	Equilibrium occurs in a two sector model when	A. Saving equals investment. B. Consumption plys investment equals the value of putput C. Planned saving equals planned investment. D. Aggregate spending equals the revenues of the business sector
18	Which of the following is the second law of gossen.	A. Law of equal marginal utility. B. Law of equi product C. Theory of indifference curve D. Law of diminishing marginal utility.
19	In the long run an increase in consumer spending would cause output to _____ and the price level to._____	A. rise;rise B. rise; stay; constant C. stay constant ; stay constant D. Stay constant ; rise
20	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