PPSC Economics Topic 4 Monetary & Fiscal Policy

Sr	Questions	Answers Choice
1	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.
2	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 bounds from the government D. Buy bonds from the public
3	The parable of Riding a Switchback suggests that stabilizing policy.	A. Is not sufficiently stimulating or contra citing the economy at any time B. Is desirable C. Is effective D. Is stimulating or contracting the economy at the wrong times.
4	Which of the following causes M1 demand is decrease.	A. A fall in the tax rate B. An increase in income C. A fall in the interest rate D. An increase in the use of credit cards
5	Fiscal policy refers to the manipulation of government income and expenditure to.	A. control the volume and price of money B. Limit the rate of increaes in incomes C. Effect the value of the dollar on world financial market. D. Affect the level of total expenditure output and employment
6	Other things equal a decrease in autonomous consumption shifts the _____ curve to the	A. IS ; RIGHT B. IS ; Left C. LM ; Left D. LF ; Right
7	When there is no change in central banking holding of international reserve balances a country's	A. Trae balance always equals 0 B. Current account balance always equals 0 C. Capital account balance always equals 0 D. Balance of payments always equal 0
8	If firms paying employees monthly began paying them weakly then the demand for money would.	A. Rise and income would rise B. Rise and income would fall C. Fall and income would rise D. Fall and income would fall
9	A change in the money supply has a greater effect upon equilibrium income.	A. The more interest sensitive private sector spending is. B. The less interest sensitive private sector spending is. C. The smaller the expenditure multiplier is D. The more interest sensitive money holdings are to the rate of interest.
10	An increase in spending those results from expansionary _____ policy cause the interest rate to.	A. fiscal ; rise B. fiscal ; fall C. incomes ; rise D. income ; fall
11	In the ISLM framework the decreasing investment spending believed by Keynes to be the cause of the Great Depression would be illustrated by a shift of the ____ curve to the.	A. IS ;right B. IS ;Left C. LM ; Left D. LM ; Right
12	A decline in the money supply shifts the LM curve to the left causing the interest rate to _____ and output to___	A. rise ; rise B. rise ; fall C. fall ; rise

		D. fall ; fall
13	How do the banks gain from this corporate behavior.	A. More loans can be made B. Tax free profits can be made C. Interest rates can be increased D. By circumvent banking regulations
14	How much of the Rs. 5 billion dollar increase in the government expenditures will be financed by bond sales.	A. Rs.3.5 billion B. Rs.1.5 billion C. Rs. 4.9 billion D. Rs.2.8 billion
15	The central bank and the government are working against each other if as the government cuts taxes the central bank	A. Sells government bonds B. Lowers the discount rate C. Increase the money supply D. Decrease the legal reserve requirements
16	According to the supply side model a reduction in the tax rate.	A. Could reduce the size of any budget deficit B. Would have no effect on output C. Would have no effect on consumption D. None of the above
17	An increases in the value of the Rupee makes foreign goods cheaper relative to Pakistan goods, resulting in a _____ in net exports and a __ shift of the IS curve	A. fall ; leftward B. rise ; leftward C. fall ; rightward D. rise ; rightward
18	Consider the five panels of the figure on the previous page in which panel would the simultaneous imposition of restrictive monetary policy and expansionary fiscal policy cause the largest increase in interest rates.	A. Panel a B. Panel b C. Panel c D. Panel d
19	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.
20	Fiscal policy refers to.	A. The actions of the central bank in controlling the money supply B. The government's altitude to taxation C. The spending and taxing policies used by the government to influence the economy D. The governments regulation of financial intermediaries.