

PPSC Economics Chapter 11 Assess Your Basics

Sr	Questions	Answers Choice
1	Economic transition involves high inflation because _____ and _____	A. High monetary growth, high wages. B. High budget deficits, devaluation C. High monetary growth, devaluation D. Prices surge from an artificially low level to their equilibrium level the inflation tax is required as source of government revenue.
2	Market failure may arise because of.	A. Imperfect competition B. Taxation C. Externalities D. All of the above
3	At the intersection of AD and AS equilibrium is achieved in.	A. The goods market B. The money market C. The labour market D. All of the above
4	Perfect international capital mobility suggests that international funds will be responsive to _____ differentials.	A. Current account B. Interest rate C. Tax D. Price
5	All of the following are parts of the business cycle except.	A. Boom B. slump C. Recovery D. Acceleration
6	All of the following are benefits of the single market except.	A. It allows countries to exploit their comparative advantage, more fully B. Firms could more readily exploit economies of scale C. It intensified competition D. It is easier book holidays in member countries.
7	When real income increases, other things equal we can expect the demand for real money holdings to.	A. Fall B. Not change C. Increase D. Decrease
8	If banks and the private sector decide to hold less cash the money multiplier will be.	A. Unchanged B. Larger C. Smaller D. unstable
9	For given government spending and taxation the government budget deficit will grow in _____ and decline in _____	A. booms, booms B. recession, recession C. booms, recessions D. recessions, booms
10	In a free market	A. Government intervene B. Government plan production C. Government interfere D. Price adjust to reconcile scarcity and desires.
11	During periods of rising inflation and rising interest rates we expect the demand for real cash to.	A. rise B. fall C. not change D. fluctuate
12	Perfect price discrimination means that every customer.	A. Buys the same amount B. Pays the same price C. Pays what she thinks the product is worth D. Contributes the same revenue.
13	Real business cycle theorists argue that _____ can explain short and long term fluctuations in output.	A. Imperfect labour markets B. Rational expectations C. Intertemporal decisions of households firms and government. D. Sun spot cycles
		A. Producers are price takers

14	A competitive equilibrium is Pareto efficient because.	<p>B. Consumers and producer's face the same prices</p> <p>C. Marginal costs and benefits are equal</p> <p>D. All of the above</p>
15	If goods are exported for less than society's marginal production cost and the marginal benefit to domestic consumers, it is likely that they benefit from.	<p>A. An import subsidy</p> <p>B. A quota</p> <p>C. Comparative advantage</p> <p>D. An export subsidy</p>
16	Aggregate demand without a foreign sector is the sum of.	<p>A. $c+1$</p> <p>B. $C+G$</p> <p>C. $1+G$</p> <p>D. $C+I+G$</p>
17	Government may contribute to inflationary pressure on account of building up large.	<p>A. Numbers of employees</p> <p>B. Welfare plans</p> <p>C. Budget deficits</p> <p>D. Expenditure.</p>
18	If demand is _____ then price cuts will _____ spending.	<p>A. Inelastic, increase</p> <p>B. Elastic, increase</p> <p>C. Elastic, decreases</p> <p>D. None of the above</p>
19	The equilibrium inflation rate is determine by the intersection of _____ and ____	<p>A. demand, supply</p> <p>B. IS , LM</p> <p>C. AD, AS</p> <p>D. Labour demand, labour supply</p>
20	In the UK mergers can be referred to the competition commission of they create a firm with _____ of the market.	<p>A. 15%</p> <p>B. 20%</p> <p>C. 25%</p> <p>D. 30%</p>
21	Starting from a position of internal and external balance a reduction in aggregate demand will cause a current account.	<p>A. Deficit</p> <p>B. Surplus</p> <p>C. Revaluation</p> <p>D. Devaluation</p>
22	In the economy when a steel producer sells steel to car producer it is regarded as.	<p>A. A final good</p> <p>B. An intermediate good</p> <p>C. an injection</p> <p>D. a leakage</p>
23	Real business cycle theories suggest that _____ to correct departures from the desired growth path.	<p>A. There is a role of fiscal policy</p> <p>B. There is a role for monetary policy</p> <p>C. There is a role for supply side policies</p> <p>D. There is no case for stabilizing output over the business cycle.</p>
24	The most important source of wage differentiate are.	<p>A. Reginal variation</p> <p>B. Unionization</p> <p>C. Relative danger</p> <p>D. Skills</p>
25	Starting from a balanced budget, for a given tax rate an increase in income will cause the government budget to.	<p>A. Move into surplus</p> <p>B. Move into deficit</p> <p>C. Remain unchanged</p> <p>D. None of these</p>
26	Under floating exchange rates, expectations of higher interest rates are likely to cause an _____ of the exchange rate.	<p>A. Depreciation</p> <p>B. Appreciation</p> <p>C. fall</p> <p>D. Devaluation</p>
27	The price elasticity of demand measures	<p>A. The responsiveness of quantity demanded to a change in prie.</p> <p>B. How far a demand curve shifts</p> <p>C. A change in price</p> <p>D. A change in quantity demanded</p>
28	The opportunity cost of a student is.	<p>A. Course fees and rent</p> <p>B. A loan from the bank</p> <p>C. What the student could have earned in the best job available by not studying.</p> <p>D. What the student will earn after graduation.</p>
29	Except for taxes to offset ____ taxes are.	<p>A. Imperfect competition , popular</p> <p>B. Extremality's, distortionary</p> <p>C. Inequality, a first best option</p> <p>D. Poor health, unnecessary</p>
	A reduction in interest rates causes an increases in the monetary base that result in	<p>A. Reduction, increases</p> <p>B. reduction reduction</p>

30	A reduction in interest rates, causes an increase in the monetary base that result in an _____ in the availability of consumer credit and a _____ in the cost of consumer credit.	<p>B. reduction, reduction</p> <p>C. increase, reduction</p> <p>D. increases, increases</p>
31	GDP per head may be an imperfect measure of economic welfare because it excludes.	<p>A. The value of leisure</p> <p>B. Externalities</p> <p>C. Untraded goods</p> <p>D. All of the above</p>
32	If your income doubles and the prices of the goods you buy double, then your demand for these goods will likely	<p>A. Increase</p> <p>B. Not change</p> <p>C. Decrease</p> <p>D. Shift</p>
33	The AD schedule indicates that _____ inflation is associated with _____ output.	<p>A. higher , lower</p> <p>B. Higher , higher</p> <p>C. Lower , lower</p> <p>D. zero ,zero</p>
34	The business cycle describes fluctuations in output around the.	<p>A. Trend path of output</p> <p>B. Boom</p> <p>C. Recession</p> <p>D. Short run fluctuations in output</p>
35	Economics is the study of	<p>A. Production technology</p> <p>B. Consumption decisions</p> <p>C. How society decides what how and for whom to produce</p> <p>D. The best way to run society</p>
36	All of the following represent obstacles to LDC development except.	<p>A. Resource scarcity</p> <p>B. Low level of investment</p> <p>C. Low population</p> <p>D. Poor infrastructure</p>
37	If some body is prepared to work at the going wage rate but cannot find work than they are victims of.	<p>A. Voluntary unemployment</p> <p>B. Classical unemployment</p> <p>C. Frictional unemployment.</p> <p>D. All of the above</p>
38	The cost of using capital services is the	<p>A. wage rate of capital</p> <p>B. Interest charges</p> <p>C. Marginal capital cost</p> <p>D. Rental rate for capital</p>
39	Women and non whites on average receive lower comes than white men because.	<p>A. They tend to work in relatively unskilled jobs</p> <p>B. Educational disadvantage</p> <p>C. Firms are reluctant to invest in training</p> <p>D. All of the above</p>
40	Market some times fail to exist because of.	<p>A. Externalities</p> <p>B. the free rider problem</p> <p>C. Poor transport</p> <p>D. a an b</p>
41	A competitive firm produces a level of output at which.	<p>A. Price is greater than marginal cost</p> <p>B. Price equals marginal cost</p> <p>C. Price is less than marginal cost</p> <p>D. None of the above</p>
42	The neoclassical theory of growth identities the steady state rate of growth as the _____ just sufficient to keep _____ constant while labour grows.	<p>A. Saving investment</p> <p>B. Capital per person productivity</p> <p>C. Labour growth , output</p> <p>D. Investment capital per person</p>
43	A production technique is technically efficient if.	<p>A. Output is maximized</p> <p>B. Input are minimized</p> <p>C. there is no way to make a given output using less of one input and no more of the other inputs.</p> <p>D. costs are minimized</p>
44	The effect of a tax to offset a negative externality will be to _____ price and _____ quantity.	<p>A. Reduce, reduce</p> <p>B. increase, increase</p> <p>C. Increase , reduce</p> <p>D. reduce, increase</p>
45	When we refer to the hidden economy we mean unrecorded income owing to.	<p>A. Tax evasion</p> <p>B. Poor statistics</p> <p>C. The lags between statistical collection and publication .</p> <p>D. Smuggling</p>
46	The participation rate in the labour force is affected by	<p>A. Higher real wages</p> <p>B. Lower fixed costs of working</p> <p>C. Lower non labor income</p> <p>D. All of the above</p>

47	The single European Act committed _ governments to a ____ in 1992	A. European union, single market B. Western European, single currency area C. European union, single currency area D. Western European, single market
48	The equilibrium price clears the market it is the price at which.	A. Everything is sold B. Buyers spend all their money C. Excess demand is zero D. c and d
49	The real value can be derived from a nominal value by	A. Adjusting changes over time B. Adjusting for data collection errors C. Adjusting for population changes D. Adjusting for changes in prices
50	The short run Philips curve can shift in response to changes in	A. inflationary expectations B. Unemployment C. The inflation rate D. Wage rates
51	Positive cross elasticities suggest that goods are _____ and negative cross elasticities that goods are.	A. Substitutes, inferior B. Normal, complements C. Substitutes, complements D. Normal , interior
52	When we know the quantity of a product that buyers wish to purchases at each possible price we know.	A. Demand B. Supply C. excess demand D. Excess supply
53	The multiplier tells us how much _____ chagnes after a shift in.	A. Consumption, income B. Investment , output C. Savings, investment D. output, aggregate demand
54	Expansionary fiscal policy in the classical model will cause aggregate demand to _____ potential output.	A. Exceed B. Fall below C. Flucalute around D. Remain equal to.
55	International specialization takes place because of.	A. Differences in technology B. Differences in factor endowments C. Scale economies D. All of the above
56	Injection into the circular flow are _____ and _____	A. Consumption, investment, exports B. Investment exports, transfer payments C. Investment government expenditure, exports. D. Taxes, exports, transfer payments.
57	When the S/L exchange rate rises the pounds_____ and whent he S/L rate falls the pounds.	A. depreciates, appreciates B. revalues, devalues C. appreciates, depreciates D. becomes more expensive, becomes cheaper
58	If desired spending in the economy exceeds income we would expect.	A. House hold to save more B. Firm to produce less C. Firms is produce more D. the MPC to change
59	An advocate of the classical model of the economy would claim that unemployment a created when the _____ is above its equilibrium level in the.	A. Price level, agregate economy B. Tax rate, government ebudget C. Wage rate, labour market D. Interest rate, market for loanable funds
60	A natural monopoly has a declining _____ over a large range of output.	A. Long run marginal cost B. Short run marginal cost C. Long run average cost D. Long run marginal cost
61	The extra utility from consuming one more unit of a good is called.	A. Marginal utility B. Additional utility C. surplus utility D. Bonus utility
62	A profit maximizing firm will hire labor until _____ equal the	A. Marginal revenue, marginal cost B. Long run marginal revenue, long run marginal cost C. Labour output ratio, capital output ratio D. Marginal cost of labour, marginal revenue product

63	Monetarists believe that a reduction in _____ can be achieved by reducing.	A. Unemployment, prices B. Inflation, wages C. Unemployment, wages D. Inflation, the quantity of nominal money
64	In the short run, the supply of capital is _____ and in the long run it will depend on.	A. Variable technology B. Fixed, expectations C. Fixed, rental rate of capital D. Variable, interest rates.
65	An allocation is Pareto efficient if no reallocation of resources would make some people _____ without making others	A. Worse off, worse off B. better off, better off C. better off, worse off D. equal, unequal
66	In the circular flow we would expect leakages to _____ injections.	A. equal B. be less than C. by greater than D. Be less or greater than
67	Skilled labour is relatively scarce because.	A. There are too few teachers B. Too few student places in higher education C. It is costly to acquire human capital D. Teachers salaries are too low
68	Moral Hazard means that the act of insuring _____ that the desired outcome will occur.	A. Reduces the likelihood B. Increase the likelihood C. Guarantees D. None of the above
69	A fall in investment demand can result from	A. Higher interest rates B. Lower expected future profits C. More expensive capital goods D. All of the above
70	Leakages from the circular flow are _____ and _____	A. Investment savings, government expenditure B. Saving, taxes net of subsidies, imports C. Consumption, investment, government expenditure. D. Consumption, taxes, imports
71	An optimal tariff is one which reduces imports to the level at which _____ equals	A. imports, exports B. The balance of trade, zero C. The demand for currency, the supply of currency D. Social marginal cost social marginal benefit
72	Taxes create a wedge between the sales price and purchase price that prevents the price system equaling _____ and	A. Marginal costs, marginal benefits B. Demand, supply C. Marginal cost, marginal revenue D. Marginal cost, average cost
73	The long run Philips curve is _____ at the _____	A. Horizontal natural rate of inflation B. Horizontal, natural rate of unemployment C. Vertical, natural rate of inflation D. Vertical, equilibrium rate of unemployment.
74	Marginal revenue is the _____ when output is.	A. Change in average revenue, inversed. B. change in total revenue, increased by one unit C. change in average revenue, increased by one unit D. Change in total revenue, increased.
75	Comparing a monopoly and a competitive firm the monopolist will.	A. Produce less at a lower price B. Produce more at a lower price C. Produce less at a higher price D. Produce less at a lower price
76	A good example of a public good is.	A. Public transport B. National defense C. The national health service D. Rail transport
77	In the UK under a _____ of the labour force belong to a trade union.	A. Quarter B. Third C. Half D. Three quarters

78	All of the following are type of monetary policy except	A. A nominal money stock target B. A balances budget C. An inflation target D. The pursuit of a target real interest rate
79	The firms long run output decision will be where.	A. Long run average cost a lowest B. Marginal revenue equals output C. Marginal revenue equals long run marginal cost D. Marginal cost equals output
80	If a country has a burden of debt it cannot sustain it can.	A. Reschedule debt B. Get a loan from an international organization C. Default on the loan D. Any of the above
81	The main cause of different relative costs between countries are.	A. Relative factors competition B. Relative factor mobility C. Relative factor substitution D. Relative factor endowments
82	We cannot say whether one allocation of resources is better than another allocation because.	A. some people cant count B. Some people may not be permanent residents C. Not all economic activity is legal D. We cant make value judgements to compare different people welfare.
83	The theory that explains business cycles by the dynamic interaction of consumption and investment demand is the.	A. Sun spect theory B. Multiplier accelerator model C. Solow theory D. New classical theory
84	In the EMU a country's competitiveness can change because of.	A. Interest rate adjustment B. Central bank intervention i the forex C. Domestic wage and price adjustment D. Devaluations
85	On a graph a positive linear relation ship.	A. Moves down to the right B. Moves up to the left C. Moves up to the right D. Modes down to the left
86	Real business cycle are cycles in	A. Potential output B. Actual output C. Real output D. International trade
87	For perfect competition ot work there must be	A. Many buyers and sellers B. A standard product C. Free entry and exit D. All of the above
88	The key issues of macroeconomics are	A. Unemployment B. Inflation C. Economic growth D. All of the above
89	Firms are assumed to ____ costs and to _____ profit.	A. Incur , desire B. Pay ; make C. Change ;earn D. Minimize ; maximize
90	In linear consumption function with a positive slope less than one means that if income increase, consumption will.	A. Fall B. Not change C. Fluctuate D. Increase
91	The business cycle is not transmitted from one country to another through.	A. Private sector imports and exports B. Economic policy C. The duration of compulsory education D. Labour supply changes
92	Economics assumes that people consume goods and services to achieve.	A. Status B. Prestige C. Utility D. Self esteem
93	Real GNP is a crude measure of national welfare because it excludes.	A. Consumption B. Investment C. Export's D. work in the home

A. Crowds out imports

94	Fiscal policy is weak under floating exchange rates as fiscal expansion.	<p>A. Crowds out imports</p> <p>B. Crowds out public consumption</p> <p>C. Crowds out exports</p> <p>D. Reduces the budget deficit</p>
95	Normative economics form _____ based on.	<p>A. Positive statements facts</p> <p>B. Opinions, personal values</p> <p>C. Positive statements values</p> <p>D. Opinions facts</p>
96	the Maastricht criteria for entry to the EMU are that applicants should have	<p>A. Low inflation</p> <p>B. Low interest rates</p> <p>C. Stable nominal exchange rate</p> <p>D. All of the above</p>
97	Economic growth may depend upon _____ and _____	<p>A. Population size , x - efficiency</p> <p>B. Population age distribution, education</p> <p>C. Population growth, education</p> <p>D. Population growth, technical progress</p>
98	The quantity theory of money says that changes in _____ lead to equivalent changes in _____ but have no effect on.	<p>A. Prices, wages, output and employment.</p> <p>B. Output, prices, employment</p> <p>C. Nominal money, the price level output and employment.</p> <p>D. Nominal money output prices</p>
99	Bank create money by	<p>A. Printing it</p> <p>B. Issuing debit cards</p> <p>C. Accepting cheques</p> <p>D. Lending out part of their deposits</p>
100	A dominant strategy is.	<p>A. A winning strategy</p> <p>B. A losing strategy</p> <p>C. A players best strategy when moving first</p> <p>D. a player's best strategy whatever the strategies adopted by rivals</p>
101	a demand curve can shift because of changing.	<p>A. Incomes</p> <p>B. Prices of related goods</p> <p>C. Tastes</p> <p>D. All of the above</p>
102	If a firm not operating at the output necessary to achieve all scale economies it has not achieved its.	<p>A. Efficient scale</p> <p>B. Average efficient scale</p> <p>C. Maximum efficient scale</p> <p>D. Minimum efficient scale</p>
103	A rise in the real exchange rate will ____ the competitiveness of the domestic economy.	<p>A. Increase</p> <p>B. reduce</p> <p>C. do nothing do</p> <p>D. all of these</p>
104	Floating exchange rates are ____ in the short run	<p>A. Stable</p> <p>B. Volatile</p> <p>C. Predictable</p> <p>D. Depreciating</p>
105	Within circular flow of income, an increase in domestic income will tend to increase.	<p>A. Exports</p> <p>B. Taxes</p> <p>C. Inventories</p> <p>D. Imports</p>
106	A competitive firms demand curve is.	<p>A. Horizontal</p> <p>B. Vertical</p> <p>C. Downward sloping</p> <p>D. Fairly elastic</p>
107	The total multiplier for the economy will reflect.	<p>A. MPC and MPT</p> <p>B. MPT and MPZ</p> <p>C. MPC and MPZ</p> <p>D. MPC, MPT and MPZ</p>
108	Short run equilibrium output means that aggregate demand ____ actual output	<p>A. is less than</p> <p>B. equals</p> <p>C. is greater than</p> <p>D. fluctuates around</p>
109	The multiplier accelerator model assumes _____ depends on.	<p>A. Consumption, expected future profits.</p> <p>B. Investment, interest rates.</p> <p>C. Investment expected future profits.</p> <p>D. Stock building, interest rates.</p>
110	In the ERM. each country fixed _____ against each other ERM participant collectively the	<p>A. A nominal exchange rate, floated</p> <p>B. A real exchange rate, pegged</p>

110	group. _____ against the rest of the world.	C. a purchasing power parity, pegged D. a real exchange rate, floated
111	When the level of income _____ there will be tendency for the trade balance to improve as imports.	A. Increases, increase B. falls, fall C. Increase, fall D. fall , increase
112	When capital mobility is perfect, interest rate differentials will tend to be offset by	A. Price differences. B. Balance of payments differences. C. Current account differences. D. Expected exchange rate changes
113	A fixed exchange rate, plus perfect capital mobility _____ the scope for monetary policy.	A. Enhances B. Undermines C. Encourages D. Facilitates
114	The Keynesian model is a good guide to _____ behavior and the classical model describes behavior in.	A. ^{Long run, short run} B. Flexible, imperfect markets C. <div>Short term , long run</div> D. Ong run, imperfect market.
115	Holding all factors constant except one and increasing a variable factor is expected to lead to steadily decreasing marginal product of the factor this is an example of.	A. Decreasing returns to scale B. The law of diminishing returns C. Constant returns to scale D. an inefficient production technique
116	Adding up the quantities demanded of a good by different people facing the same price gives us the.	A. Supply curve B. Market demand curve C. Demand curve D. Market supply curve
117	Efficiency wages are _____ that raise	A. Low wages , employment B. High wages, labor supply C. High wages, productivity D. High wages, employment
118	Potential output can be increased by _____ or by _____	A. Increasing the use of labour, increasing the use of land B. Increasing the use of capital, increasing the use of labour C. Increasing the use of land, increasing the use of capital D. Increasing the use of all inputs technical advances
119	Higher export demand _____ output and a higher MPZ _____ output..	A. Reduces, reduces B. Reduces, increases C. Increases, reduces D. increases, increases
120	Macro economics is the study of.	A. Individual building blocks in the economy B. The relationship between different sectors of the economy C. Household purchased decisions D. The economy as a whole
121	A firm that breaks even after all economic costs are paid is earning.	A. Economic profit B. Accounting profit C. Normal profit D. Supernormal profit
122	International difference in opportunity costs lead to countries acquiring.	A. Comparative advantage B. High exchange rates C. Trade exchange rates D. Trade barriers
123	A person who is made redundant because of the contraction of an industry is a victim of.	A. Frictional unemployment B. Demand deficient unemployment C. Classical unemployment D. Structural unemployment
124	In the short run the level of floating exchange rates is determined mainly by.	A. Interest rates B. Competitiveness C. Trade D. Speculation
125	All of the following are types of imperfect competition except	A. Monopolistic competition B. Oligopoly C. Monopoly D. Unfair competition
126	When investment is assumed to autonomous the slope of the AD schedule is determined by the.	A. Marginal propensity to invest. B. disposable income C. Marginal propensity to consume D. Average propensity to consume

		E. <ul style="list-style-type: none">

127	The opportunity cost of a good is.	<ul style="list-style-type: none"> A. The time lost in finding it B. The quantity of other goods sacrificed to get another unit of that good C. The expenditure on the good D. The loss of interest in using savings
128	The impossibility of negative gross investment provides a _____ to fluctuations in.	<ul style="list-style-type: none"> A. Celling, stock building B. Celling, capital prices C. floor , output D. floor , the capital output ratio
129	For a competitive firm its short run supply curve is _____ and its long run supply curve is.	<ul style="list-style-type: none"> A. SMC , LMC B. SMC above SAVC, LMC above LAC C. SMC below SAVC, LMC above LAC D. SMC Below SAVC, LMC below LAC
130	When a market is contestable , incumbent firms must. _____ to avoid the entry of new competitors.	<ul style="list-style-type: none"> A. Behave like competitive firms B. Agree to act together C. Differentiate their products D. Practice price discrimination
131	A current account deficit means that a country may.	<ul style="list-style-type: none"> A. Reduce its stock of foreign assets B. Increases its stock of foreign assets C. Increases its savings D. Increases its foreign currency reserves.
132	A market can accurately be described as	<ul style="list-style-type: none"> A. A place to buy things B. a place to sell things C. The process by which prices adjust to reconcile the allocation of resources D. a place where buyers and sellers meet.
133	In an open economy leakages to imports _____ the value of the multiplier.	<ul style="list-style-type: none"> A. Reduce B. Increase C. do not change D. None of these
134	If the consumption of a good by one person does not reduce the quantity available by other and nobody can be easily excluded from consumption, we are referring to a.	<ul style="list-style-type: none"> A. Private good B. Merit good C. Public good D. Abundant good
135	The allocation of resources is not efficient if	<ul style="list-style-type: none"> A. The marginal cost of production does not equal society marginal benefit B. The distribution is inequitable C. Economic growth is low D. Unemployment is high
136	By restricting labour supply a trade union can _____ and _____	<ul style="list-style-type: none"> A. Increase the wage, increase employment B. Maintain the wage, increase employment C. Increase the wage lower employment D. Maintain the wage, lower employment
137	If the diagram of a line shows that lower values on the vertical scale are associated with higher values on the horizontal scale this is an example of.	<ul style="list-style-type: none"> A. a nonlinear relationship B. A positive linear relationship C. A scatter diagram D. A negative linear relationship
138	In a competitive industry each buyer and seller.	<ul style="list-style-type: none"> A. Is a price taker B. Produce different products C. Believes that can influence price D. Prevents the entry of competitors
139	If British Residents want more French francs to purchase more French wine, other things equal than the equilibrium value of the pound against the French franc will.	<ul style="list-style-type: none"> A. Rise B. fall C. not change D. fluctuate
140	The value of an asset depends upon	<ul style="list-style-type: none"> A. Its scrap value B. Its depreciation C. The present value of the future stream of income it can earn. D. the cost of loans

		<p>D. the cost of raising</p> <p>A. 1/(1-MPC) B. 1/MPS C. 1/MPC D. a or b</p>
141	The multiplier is calculated as.	
142	The short run marginal cost curve cuts the short run total cost curve and short run average variable cost curve.	<p>A. At their lowest points B. When they are declining C. When they are increasing. D. When marginal revenue is zero</p>
143	If as result of householder wish to save more there is a change in equilibrium income and no change in equilibrium saving this as an example of.	<p>A. Market imperfection B. The law of diminishing returns C. The paradox of thrift D. Market failure</p>
144	The primary function of a bank is to.	<p>A. Control the money supply B. Provide notes and coins for trade C. Make a profit D. Provide a cheque clearing system.</p>
145	The increase in total cost when one more units is produced is known as.	<p>A. Marginal cost B. Opportunity cost C. Limited cost D. Average cost</p>
146	import substitution is the replacement of _____ by domestic production under the protection of.	<p>A. exports, subsidies B. Exports, patents C. imports, high tariffs or import quotes D. Imports, subsidies</p>
147	If two firms doing the same thing in the same industry join together this is known as a.	<p>A. vertical merger B. Horizontal merger C. Conglomerate merger D. Hostile takeover</p>
148	Nominal GNP measures income	<p>A. At the present time B. Corrected for tax changes C. Corrected for changes in interest rates D. At current prices</p>
149	In the absence of international capital controls, central banks set _____ to provide the correct incentive for speculators	<p>A. Money supply targets B. Income policy C. Interest rates D. Inflation targets</p>
150	In the classical model, potential output can not be increased by	<p>A. Monetary growth B. Better technology C. More capital D. higher labour supply</p>
151	In an economy, measuring total value (1) added, total value(2) spending on final goods and 3 total factor earning gives the result that.	<p>A. $3 > 2 > 1$ B. $3 + 2 > 1$ C. $3 < 2 < 1$ D. Any measure can be larger or smaller than any other</p>
152	A straight line diagram can be drawn knowing the _____ and _____	<p>A. Vertical axis and horizontal axis B. Intercept and slope C. Scale and slope D. Intercept and scale.</p>
153	With fixed exchange rates and no private currency flow, when the central bank buys domestic currency the domestic money supply is.	<p>A. Increased B. Unaffected C. Reduced D. All of the above</p>
154	The abolition of income tax would probably _____ the number of workers in employment and _____ the equilibrium. rate of unemployment.	<p>A. increase ; decrease B. increase ; increase C. reduce ; increase D. reduce ; reduce</p>
155	Satellite television subscription and television detection devices are ways in which broadcasting companies address the _____ problem.	<p>A. Externality B. Market imperfection C. Deadweight burden D. Free rider</p>
156	In the neoclassical theory of growth a higher saving rate leads to.	<p>A. A higher growth rate B. A fluctuating growth rate C. A lower growth rate D. No change in the growth rate</p>
		<p>A. capital widening, technical innovation B. Capital widening, catch up in</p>

157	The growth rate of economics tend to converge because. _____ is easier when capital per worker is low and because of _____	technology C. Capital deepening, technical innovation D. Capital deepening, catch up technology.
158	Aggregate demand in an economy trading internationally with a government sector can be written s.	A. $AD = C+1$ B. $AD = C + 1 + G$ C. $AD = C + 1 + G + X + Z$ D. $AD + C + 1 + G + X + Z$
159	If the income tax rate changes from 30% to 40% on incomes over L 30,000 and a person's income is L 31,000 then her marginal tax rate is.	A. 30% B. 10% C. 70% D. 40%
160	The costs of inflation are	A. Shoe leather costs B. Menu costs C. Income redistribution D. All of the above
161	If your income during one year is L 10,000 ad the following year it is L,12,000 then it has grown by	A. 20% B. 2% C. 12% D. 15%
162	We would normally expect the size of the labour force to be _____ than the number of workers willing to accept job offers at any real wage rate.	A. Smaller B. Larger C. the same size D. None of these
163	Possible causes of involuntary unemployment are	A. Minimum wage agreements B. Trade unions C. Scale economies D. All of the abvoe
164	If the government increase spending and raises taxes by just enough to finance the increase it will.	A. Leave output unchnagned B. Increase output C. Reduce output D. Increase the MPC
165	An upward shift in marginal cost _____ output and an upward shift in _____ marginal revenue __ output.	A. Reduce , reduce B. Reduce , increase C. Increased, increased D. Increases, reduces
166	If my neighbor burns garden waste causing my house to fill with smoke this is an example of.	A. A production extremality B. A second best solution C. Transaction costs D. A consumption externality
167	The Philips curve shows the trade off between _____ and _____	A. The inflation rate, interest rates B. The inflation rate, the unemployment rate C. interest rates, output D. Output, employment
168	An increase in consumer income will increase demand for a _____ for decrease demand for a.	A. Substitute good interior good B. Normal good, interior good C. Interior good, normal good. D. Normal good, complementary good.
169	The level of the equilibrium exchange rate offsets international difference in.	A. Comparative advantage B. Absolute advantage C. Opportunity cost D. Relative costs
170	If both Marginal cost and marginal revenue increase, a firm.	A. Should increase output B. Should reduce output C. Will require further information on how to respond D. should not change output
171	In a fixed exchange rate regime, the central bank will intervene by __ pounds to _____ the exchange rate.	A. Selling, increase B. buying , increase C. selling, reduce D. both b and c
172	Real GNP measures income	A. Including non market activities B. Adjusted for inflation C. Including externalities D. Including tax evasion
173	Real business cycle theory suggests that _____ not important in explaining short term fluctuations around actual output.	A. aggregate supply is B. aggregate demand is C. Potential output is D. Real variables are

174	LDC's often have a comparative advantage in the production of.	A. Primary products B. Intermediate products C. Manufactured products D. Financial services.
175	In Nash equilibrium each player chooses the best strategy.	A. Assuming other players move first. B. Dominated by the other players C. Given the strategies of other players D. That is a credible threat
176	Policies to reduce unemployment by reducing union power tax cut reduction is unemployment benefit and investment. subsidies are examples of.	A. Keynesian policies B. Supply side policies C. Monetarist policies D. Classical policies
177	A supply curve is directly affected by	A. Technology B. Input costs C. Government regulation D. All of the above
178	Micro economics is concerned with	A. The economy as a whole B. The electronics industry C. The study of individual economic behavior D. the interactions within the entire economy
179	One of the transmission mechanism of monetary policy is through consumer house hold wealth. _____ and consumption.	A. rise, increases, increases B. rise, falls, increases C. rise, increases, falls D. rise, falls, falls
180	The prisoners Dilemma Game demonstrates that.	A. Players are better off to act independently B. Monopoly is better than competition C. People will always cheat D. Players are better off if they can operate
181	Output fell sharply in the transition economies because.	A. Banks were unable to function B. There was little corporate control C. Vital infrastructure was missing D. All of the above
182	Short run average total costs are equal to the sum of _____ and _____	A. Short run opportunity costs, profit B. Short run average variable costs, profit C. short run average variable costs, profit. D. Short run average variable costs short run average fixed costs
183	If a price increase of good A increases the quantity demanded of good B, then good B is a.	A. substitute good B. Complementary good C. Bargain D. Inferior good
184	If a long average cost rises, output rises from left to right this is an example of.	A. Increasing returns to scale B. Decreasing returns to scale. C. Constant returns to scale D. the minimum efficient scale
185	M4 is a _____ measures of money and includes deposits at both _____ and _____	A. Narrow, banks, building societies B. Wide, banks, insurance companies C. narrow, banks, insurance companies D. Wide, banks, building societies.
186	In the UK in recent years, union membership has _____ and days of work lost because of strikes has.	A. Grown, declined B. declined, declined C. declined, grown D. grown, grown
187	If the central bank buys financial securities in the open market to increase the monetary base, this is an example of.	A. Lender of last resort B. Financial intermediation C. Open market operations D. Financial regulation.
188	A tariff causes domestic firms to _____ and consumers to _____	A. Overproduced, under consume B. overproduce, overconsume C. Underproduce, under consume D. underproduce, overconsume
189	The imposition of a tariff causes consumption to _____ and imports to _____.	A. rise, rise B. fall, rise C. fall, fall

		D. rise , fall
190	If I keep some money available in case I see a bargain this is an example of.	A. Asset demand for money B. Transactions demand for money C. Token demand for money D. Precautionary demand for money
191	Land will be allocated between competing uses so that.	A. Housing gets priority B. Industry gets priority C. Farming gets priority D. The equilibrium rental rate equilibrium total demand with supply
192	If one country, with floating exchange states, has higher inflation than its competitors, we would expect its exchange rate to.	A. Appreciate B. Depreciate C. Revalue D. be in short supply
193	In the event of an increase in the international price of oil that encouraged the central bank to accept lower real interest rates, inflation would most likely.	A. Fall B. Increases C. Remain the same D. Fluctuate
194	The opportunity cost of acquiring education is.	A. Course fees B. Course fees and living expenses C. The earning foregone D. Course fees, living expenses and textbooks
195	Human capital can be described as.	A. The tools used by workers to enhances productivity B. a persons inherited abilities. C. The stock of expertise accumulated by a worker D. Education
196	If the MPC is 0.5 the multiplier is	A. 2 B. 1/2 C. 0.2 D. 20
197	The retail price index is used to.	A. Construct price lists B. Compare shop prices C. Measure changes in the cost of living D. None of the above
198	A monopoly may be self perpetuating because profits may be used for	A. research B. Cost saving C. Technical advance D. All of the above
199	Top footballers tend to earn more than lecturers because.	A. Footballers give more entertainment B. Lecturers are lazy C. The labour markets are imperfect D. Top footballers are relatively scarce in relation to lecturers
200	Externality's arise because there is a divergence between ____ and _	A. Private costs, private benefits B. Private costs, social costs of benefits C. Social cost, social benefit D. Insiders, outsiders
201	If a person thinks they are better off after a 10% wage increase, and all prices have risen 10%, then they are experiencing.	A. Inflation B. A supply shocks C. Crowding out D. Inflation illusion