

PPSC Economics Topic 10 Public Finance

Sr	Questions	Answers Choice
1	An increasingly higher marginal income tax is	A. Progressive B. Regressive C. Proportional D. Both b and c
2	The overall Budget Deficit is financed from	A. External borrowing B. Non bank borrowing domestically C. Bank borrowing plus the above two at a and b D. None of the above
3	Which of the following is likely to be longer for monetary policy than for fiscal policy.	A. The implementation lag B. The recognition lag C. Both a and b D. None of these
4	A tariff can _____ raise a country's welfare.	A. Sometimes B. Never C. Always D. None of these
5	The overall Budget Deficit is financed from	A. External borrowing B. Non bank borrowing domestically C. Bank borrowing plus the above two at a and b D. None of the above
6	Expansion in money supply stems from.	A. Increasing the cost of bank credit B. Reducing availability of bank credit C. Reducing the financial cost of bank credit D. None of above
7	Two commodities are considered to be perfect substitutes for each other if the elasticity of substitution is	A. Positive B. Negative C. Infinite D. None of these
8	An indifference curve gives	A. the actual combination of goods that consumer chooses B. the minimum choice of the consumer C. the highest level of satisfaction D. None of these
9	Why is the law of diminishing marginal returns true.	A. Specialization and division of labor B. Spreading the average fixed cost C. Limited capital D. All factors being variable in the long run
10	The impact and incidence of sales tax is	A. On the consumer B. On the seller C. On the producer D. None of these
11	Which industrialization policy have developing countries used which places emphasis on the comparative advantage principle as argued to resource allocation.	A. Export promotion B. Import substitution C. International commodity agreements D. Multilateral contracts
12	According to factor price equalization theorem the _____ factor should oppose free trade policies in any given country.	A. Abundant B. Scarce C. Neither D. Can't tell without more information
13	A stable equilibrium requires that the marginal propensity to consume is.	A. Less than zero B. Zero C. One D. None of these
14	Absolute advantage is determined by..	A. Actual difference in labor productivity between countries. B. Relative difference in labor

		productivity between countries. C. Both a and b D. neither a and b
15	Which of the followings is NOT component of M-2	A. Small time deposits B. Money market mutual funds C. Stocks D. Checkable deposits
16	The bowed shape of the production possibilities curve illustrates	A. The law of increasing marginal cost B. the production is inefficient C. the production is unattainable D. The demand is relatively inelastic
17	Skills that can be transferred to other employers are called.	A. General skills B. Specific skills C. Non pecuniary skills D. All of the above
18	Which provides the best explanation of the failure of many poor countries to experience economic growth as rapid as the rich countries..	A. Classical growth theory B. Neoclassical growth theory C. New growth theory D. Market failure
19	_____ are quotas that lead to a complete abolishment of trade.	A. Embargoes B. Voluntary export restraints C. Nontariff barriers D. Orderly marketing agreements
20	The goal of a pure market economy is to best meet the desires of	A. Consumers B. Companies C. Workers D. The government