

PPSC Economics Topic 11 Assess Your Basics

Sr	Questions	Answers Choice
1	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
2	The short run Philips curve can shift in response to changes in	A. inflationary expectations B. Unemployment C. The inflation rate D. Wage rates
3	Real GNP is a crude measure of national welfare because it excludes.	A. Consumption B. Investment C. Export's D. work in the home
4	Economics assumes that people consume goods and services to achieve.	A. Status B. Prestige C. Utility D. Self esteem
5	A market can accurately be described as	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.
6	If banks and the private sector decide to hold less cash the money multiplier will be.	A. Unchanged B. Larger C. Smaller D. unstable
7	The theory that explains business cycles by the dynamic interaction of consumption and investment demand is the.	A. Sun spot theory B. Multiplier accelerator model C. Solow theory D. New classical theory
8	Higher export demand _____ output and a higher MPZ_____ output..	A. Reduces, reduces B. Reduces, increases C. Increases, reduces D. increases, increases
9	Expansionary fiscal policy in the classical model will cause aggregate demand to _____ potential output.	A. Exceed B. Fall below C. Fluctuate around D. Remain equal to.
10	If some body is prepared to work at the going wage rate but cannot find work than they are victims of.	A. Voluntary unemployment B. Classical unemployment C. Frictional unemployment. D. All of the above
11	Market sometimes fail to exist because of.	A. Externalities B. the free rider problem C. Poor transport D. a and b
12	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
13	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
14	If your income doubles and the prices of the goods you buy double, then your demand for	A. Increase B. Not change C. Decrease

these goods will likely

- C. Decrease
- D. Shift

15 The costs of inflation are

- A. Shoe leather costs
- B. Menu costs
- C. Income redistribution
- D. All of the above

16 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

17 If demand is _____ then price cuts will _____ spending.

- A. Inelastic, increase
- B. Elastic, increase
- C. Elastic, decreases
- D. None of the above

18 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

19 Except for taxes to offset ___ taxes are.

- A. Imperfect competition , popular
- B. Extremality's, distortionary
- C. Inequality, a first best option
- D. Poor health, unnecessary

20 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