

## PPSC Economics Topic 11 Assess Your Basics

Sr	Questions	Answers Choice
1	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
2	All of the following represent obstacles to LDC development except.	A. Resource scarcity B. Low level of investment C. Low population D. Poor infrastructure
3	The most important source of wage differentiate are.	A. Reginal variation B. Unionization C. Relative danger D. Skills
4	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
5	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.
6	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
7	A reduction in interest rates, causes an increases in the monetary base that result in an _____ in the availability of consumer credit and a _ in the cost of consumer credit.	A. Reduction, increases B. reduction, reduction C. increase, reduction D. increases, increases
8	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, aggregate economy B. Tax rate, government ebudget C. Wage rate, labour market D. Interest rate, market for loanable funds
9	Polices to reduce unemployment by reducing union power tax cut reduction is unemployment benefit and investment. subsidies are examples of.	A. Keynesian polices B. Supply side polices C. Monetarist polices D. Classical polices
10	In an open economy leakages to imports _____ the value of the multiplier.	A. Reduce B. Increase C. do not change D. None of these
11	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.	A. An import subsidy B. A quota C. Comparative advantage D. An export subsidy
12	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
13	The opportunity cost of a good is.	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

14	When we know the quantity of a product that buyers wish to purchase at each possible price we know.	A. Demand B. Supply C. excess demand D. Excess supply
15	The growth rate of economics tend to converge because _____ is easier when capital per worker is low and because of _____	A. capital widening, technical innovation B. Capital widening, catch up in technology C. Capital deepening, technical innovation D. Capital deepening, catch up technology.
16	Economics is the study of	A. Production technology B. Consumption decisions C. How society decides what how and for whom to produce D. The best way to run society
17	Possible causes of involuntary unemployment are	A. Minimum wage agreements B. Trade unions C. Scale economies D. All of the above
18	Fiscal policy is weak under floating exchange rates as fiscal expansion.	A. Crowds out imports B. Crowds out public consumption C. Crowds out exports D. Reduces the budget deficit
19	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
20	Externalities 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