

## PPSC Economics Topic 11 Assess Your Basics

| Sr | Questions   | Answers Choice   |
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| 1  | A fall in investment demand can result from   | A. Higher interest rates<br>B. Lower expected future profits<br>C. More expensive capital goods<br>D. All of the above   |
| 2  | Real business cycle theorists argue that _____ can explain short and long term fluctuations in output.                          | A. Imperfect labour markets<br>B. Rational expectations<br>C. Intertemporal decisions of households firms and government.<br>D. Sun spot cycles  |
| 3  | If my neighbor burns garden waste causing my house to fill with smoke this is an example of.                                    | A. A production extremality<br>B. A second best solution<br>C. Transaction costs<br>D. A consumption externality   |
| 4  | If banks and the private sector decide to hold less cash the money multiplier will be.  | A. Unchanged<br>B. Larger<br>C. Smaller<br>D. unstable   |
| 5  | Fiscal policy is weak under floating exchange rates as fiscal expansion.  | A. Crowds out imports<br>B. Crowds out public consumption<br>C. Crowds out exports<br>D. Reduces the budget deficit  |
| 6  | In the UK under a _____ of the labour force belong to a trade union.  | A. Quarter<br>B. Third<br>C. Half<br>D. Three quarters   |
| 7  | the Maastricht criteria for entry to the EMU are that applicants should have  | A. Low inflation<br>B. Low interest rates<br>C. Stable nominal exchange rate<br>D. All of the above  |
| 8  | Moral Hazard means that the act of insuring _____ that the desired outcome will occur.  | A. Reduces the likelihood<br>B. Increase the likelihood<br>C. Guarantees<br>D. None of the above   |
| 9  | Real business cycle are cycles in   | A. Potential output<br>B. Actual output<br>C. Real output<br>D. International trade  |
| 10 | Economic transition involves high inflation because _____ and _____   | A. High monetary growth, high wages.<br>B. High budget deficits, devaluation<br>C. High monetary growth, devaluation<br>D. Prices surge from an artificially low level to their equilibrium level the inflation tax is required as source of government revenue. |
| 11 | If one country, with floating exchange states, has higher inflation than its competitors, we would expect its exchange rate to. | A. Appreciate<br>B. Depreciate<br>C. Revalue<br>D. be in short supply  |
| 12 | Higher export demand _____ output and a higher MPZ _____ output..   | A. Reduces, reduces<br>B. Reduces, increases<br>C. Increases, reduces<br>D. increases, increases   |
| 13 | In Nash equilibrium each player chooses the best strategy.  | A. Assuming other players move first.<br>B. Dominated by the other players<br>C. Given the strategies of other players<br>D. That is a credible threat   |
|    |   | A. Increase the wage, increase employment<br>B. ... ..   |

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| 14 | By restricting labour supply a trade union can _____ and _____   | B. Maintain the wage, increase employment<br>C. Increase the wage lower employment<br>D. Maintain the wage, lower employment      |
| 15 | In the circular flow we would expect leakages to _____ injections.   | A. equal<br>B. be less than<br>C. by greater than<br>D. Be less or greater than   |
| 16 | The primary function of a bank is to.  | A. Control the money supply<br>B. Provide notes and coins for trade<br>C. Make a profit<br>D. Provide a cheque clearing system.   |
| 17 | Efficiency wages are _____ that raise  | A. Low wages , employment<br>B. High wages, labor supply<br>C. High wages, productivity<br>D. High wages, employment              |
| 18 | When the S/L exchange rate rises the pounds _____ and when the S/L rate falls the pounds.  | A. depreciates, appreciates<br>B. revalues, devalues<br>C. appreciates, depreciates<br>D. becomes more expensive, becomes cheaper |
| 19 | The imposition of a tariff causes consumption to _____ and imports to.   | A. rise , rise<br>B. fall , rise<br>C. fall , fall<br>D. rise , fall  |
| 20 | If the income tax rate changes from 30% to 40% on incomes over £ 30,000 and a person's income is £ 31,000 then her marginal tax rate is. | A. 30%<br>B. 10%<br>C. 70%<br>D. 40%  |