

## PPSC Economics Topic 11 Assess Your Basics

Sr	Questions	Answers Choice
1	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
2	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
3	If my neighbor burns garden waste causing my house to fill with smoke this is an example of.	A. Production externality B. A second best solution C. Transaction costs D. A consumption externality
4	If banks and the private sector decide to hold less cash the money multiplier will be.	A. Unchanged B. Larger C. Smaller D. unstable
5	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
6	In the UK under a _____ of the labour force belong to a trade union.	A. Quarter B. Third C. Half D. Three quarters
7	the Maastricht criteria for entry to the EMU are that applicants should have	A. Low inflation B. Low interest rates C. Stable nominal exchange rate D. All of the above
8	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
9	Real business cycle are cycles in	A. Potential output B. Actual output C. Real output D. International trade
10	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.
11	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
12	Higher export demand _____ output and a higher MPZ_____ output..	A. Reduces, reduces B. Reduces, increases C. Increases, reduces D. increases, increases
13	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
		A. Increase the wage, increase employment B. Increase the wage, decrease employment C. Decrease the wage, increase employment D. Decrease the wage, decrease employment

14 By restricting labour supply a trade union can \_\_\_\_\_ and \_\_\_\_\_

B. Maintain the wage, increase employment  
C. Increase the wage lower employment  
D. Maintain the wage, lower employment

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15 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

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16 The primary function of a bank is to.

A. Control the money supply  
B. Provide notes and coins for trade  
C. Make a profit  
D. Provide a chequen clearing system.

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17 Efficiency wages are \_\_\_\_\_ that raise

A. Low wages , employment  
B. High wages, labor supply  
C. High wages, productivity  
D. High wages, employment

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18 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

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19 The imposition of a tariff causes consumption to \_\_\_\_\_ and imports to.

A. rise , rise  
B. fall , rise  
C. fall , fall  
D. rise , fall

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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%  
B. 10%  
C. 70%  
D. 40%