

PPSC Economics Chapter 11 Assess Your Basics

Sr	Questions	Answers Choice
1	The equilibrium inflation rate is determine by the intersection of and	A. demand, supply B. IS , LM C. AD, AS D. Labour demand, labour supply
2	All of the following are type of monetary policy except	A. A nominal money stock target B. A balances budget C. An inflation target D. The pursuit of a target real interest rate
3	The theory that explains business cycles by the dynamic interaction of consumption and investment demand is the.	A. Sun spect theory B. Multiplier accelerator model C. Solow theory D. New classical theory
4	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 chequeen clearing system.
5	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
6	In an economy, measuring total value (1) added, total value(2) spending on final goods and 3 total factor earning gives the result that.	A. 3>2>1 B. 3 +2>1 C. 3<2<1 D. Any measure can be larger or smaller than any other
7	For given government spending and taxation the government budget deficit will grow in and decline in	A. booms, booms B. recession, recession C. booms, recessions D. recessions, booms
8	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
9	Aggregate demand without a foreign sector is the sum of.	A. c+1 B. C+G C. 1+G D. C+!+G
10	A fixed exchange rate, plus perfect capital mobility the scope for monetary policy.	A. Enhances B. Undermines C. Encourages D. Facilitates
11	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
12	Women and non whiles on average receive lower comes than white men because.	A. They tend to work in relatively unskilled jobs B. Educational disadvantage C. Firms are reluctant to invest in training D. All of the above
13	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

14	The multiplier tells us how much chagnes after a shift in.	A. Consumption, income B. Investment, output C. Savings, investment D. output, aggregate demand
15	In the absence of international capital controls, central banks set to provide the correct incentive for speculators	A. Money supply targets B. Income policy C. Interest rates D. Inflation targets
16	Real business cycle theory suggests that not important in explaining short term fluctuations around actual output.	A. aggregate supply is B. aggregate demand is C. Potential output is D. Real variables are
17	A competitive firm produces a level of output at which.	A. Price is greater than marginal cost B. Price equals marginal cost C. Price is less than marginal cost D. None of the above
18	In the economy when a steel producer sells steel to car producer it is regarded as.	A. A final good B. An intermediate good C. an injection D. a leakage
19	A dominant strategy is.	A. A winning strategy B. A losing strategy C. A players best strategy when moving fist D. a player's best strategy whatever the strategies adopted by rivals
20	The impossibility of negative gross investment provides a to fluctuations in.	A. Celling, stock building B. Celling, capital prices C. floor, output D. floor, the capital output ratio