

## PPSC Economics Topic 11 Assess Your Basics

Sr	Questions	Answers Choice
1	Extremality's 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
2	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
3	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
4	In the classical model, potential output can not be increased by	A. Monetary growth B. Better technology C. More capital D. higher labour supply
5	If the diagram of a line shows that lower values on the vertical scale are associated with higher values on the horizontal scale this is an example of.	A. a nonlinear relationship B. A positive linear relationship C. A scatter diagram D. A negative linear relationship
6	An increase in consumer income will increase demand for a _____ for decrease demand for a.	A. Substitute good interior good B. Normal good, interior good C. Interior good, normal good. D. Normal good, complementary good.
7	On a graph a positive linear relation ship.	A. Moves down to the right B. Moves up to the left C. Moves up to the right D. Modes down to the left
8	If a long average cost rises, output rises from left to right this is an example of.	A. Increasing returns to scale B. Decreasing returns to scale. C. Constant returns to scale D. the minimum efficient scale
9	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
10	A tariff causes domestic firms to _____ and consumers to	A. Overproduced, under consume B. overproduce , overconsume C. Underproduce, under consume D. underproduce, overconsume
11	M4 is a _____ measures of money and includes deposits at both _____ and _____	A. Narrow, banks, building societies B. <>>Wide, banks, insurance companies</i> C. narrow, banks, insurance companies D. Wide, banks, building societies.
12	The Philips curve shows the trade off between _____ and _____	A. The inflation rate, interest rates B. The inflation rate, the unemployment rate C. interest rates, output D. Output, employment
13	We cannot say whether one allocation of resources is better than another allocation because.	A. some people cant count B. Some people may not be permanent residents C. Not all economic activity is legal

D. We can't make value judgements to compare different people welfare.

14 If British Residents want more French francs to purchase more fresh wine, other things equal than the equilibrium value of the pound against the French franc will.

A. Rise  
B. fall  
C. not change  
D. fluctuate

15 Efficiency wages are \_\_\_\_\_ that raise

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

16 The extra utility from consuming one more unit of a good is called.

A. Marginal utility  
B. Additional utility  
C. surplus utility  
D. Bonus utility

17 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

18 Aggregate demand without a foreign sector is the sum of.

A.  $c+1$   
B.  $C+G$   
C.  $1+G$   
D.  $C+1+G$

19 For a competitive firm its short run supply curve is \_\_\_\_\_ and its long run supply curve is.

A. SMC, LMC  
B. SMC above SAVC, LMC above LAC  
C. SMC below SAVC, LMC above LAC  
D. SMC Below SAVC, LMC below LAC

20 import substitution is the replacement of \_\_\_\_\_ by domestic production under the protection of.

A. exports, subsidies  
B. Exports, patents  
C. imports, high tariffs or import quotes  
D. Imports, subsidies