

PPSC Economics Topic 11 Assess Your Basics

Sr	Questions	Answers Choice
1	If the government increase spending and raises taxes by just enough to finance the increase it will.	A. Leave output unchanged B. Increase output C. Reduce output D. Increase the MPC
2	If a person thinks they are better off after a 10% wage increase, and all prices have risen 10%, then they are experiencing.	A. Inflation B. A supply shocks C. Crowding out D. Inflation illusion
3	When real income increases, other things equal we can expect the demand for real money holdings to.	A. Fall B. Not change C. Increase D. Decrease
4	Skilled labour is relatively scarce because.	A. There are too few teachers B. Too few student places in higher education C. It is costly to acquire human capital D. Teachers salaries are too low
5	International difference in opportunity costs lead to countries acquiring.	A. Comparative advantage B. High exchange rates C. Trade exchange rates D. Trade barriers
6	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
7	We would normally expect the size of the labour force to be _____ than the number of workers willing to accept job offers at any real wage rate.	A. Smaller B. Larger C. the same size D. None of these
8	Injection into the circular flow are _____ and _____	A. Consumption, investment, exports B. Investment exports, transfer payments C. Investment government expenditure, exports. D. Taxes, exports, transfer payments.
9	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
10	A natural monopoly has a declining _____ over a large range of output.	A. Long run marginal cost B. Short run marginal cost C. Long run average cost D. Long run marginal cost
11	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
12	The key issues of macroeconomics are	A. Unemployment B. Inflation C. Economic growth D. All of the above
13	If both Marginal cost and marginal revenue increase, a firm.	A. Should increase output B. Should reduce output C. Will require further information on how to respond D. should not change output
14	The imposition of a tariff causes consumption to _____ and imports to _____.	A. rise , rise B. fall , rise C. fall , fall D. rise , fall

D. rise , fall

15 In the neoclassical theory of growth a higher saving rate leads to.

- A. A higher growth rate
- B. A fluctuating growth rate
- C. A lower growth rate
- D. No change in the growth rate

16 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

17 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

18 Perfect international capital mobility suggests that international funds will be responsive to _____ differentials.

- A. Current account
- B. Interest rate
- C. Tax
- D. Price

19 In a competitive industry each buyer and seller.

- A. Is a price taker
- B. Produce different products
- C. Believes that can influence price
- D. Prevents the entry of competitors

20 Bank create money by

- A. Printing it
- B. Issuing debit cards
- C. Accepting chequeens
- D. Lending out part of their deposits