

PPSC Economics Chapter 11 Assess Your Basics

Sr	Questions	Answers Choice
1	A fixed exchange rate, plus perfect capital mobility _____ the scope for monetary policy.	A. Enhances B. Undermines C. Encourages D. Facilitates
2	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
3	With fixed exchange rates and no private currency flow, when the central bank buys domestic currency the domestic money supply is.	A. Increased B. Unaffected C. Reduced D. All of the above
4	When capital mobility is perfect, interest rate differentials will tend to be offset by	A. Price differences. B. Balance of payments differences. C. Current account differences. D. Expected exchange rate changes
5	Perfect international capital mobility suggests that international funds will be responsive to _____ differentials.	A. Current account B. Interest rate C. Tax D. Price
6	Within circular flow of income, an increase in domestic income iwl lend to increase.	A. Exports B. Taxes C. Inventories D. Imports
7	A rise in the real exchange rate will ___ the competitiveness of the domestic economy.	A. Increase B. reduce C. do nothing do D. all of these
8	Starting from a position of internal and external balance a reduction in aggregate demand will cause a current account.	A. Deficit B. Surplus C. Revaluation D. Devaluation
9	A current account deficit means that a country may.	A. Reduce its stock of foreign assets B. Increases its stock of foreign assets C. Increases its savings D. Increases its foreign currency reserves.
10	In a fixed exchange rate regime, the central bank will intervene by ___ pounds to _____ the exchange rate.	A. Selling, increase B. buying , increase C. selling, reduce D. both b and c
11	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
12	If British Residents want more French francs to purchases more fresh wine, other things equal than the equilibrium value of the pound against the French farce will.	A. Rise B. fall C. not changes D. fluctuate
13	Possible causes of involuntary unemployment are	A. Minimum wage agreements B. Trade unions C. Scale economies D. All of the abvoe
14	The abolition of income tax would probably _____ the number of workers in employment and _____ the equilibrium. rate of unemployment.	A. increase ; decrease B. increase ; increase C. reduce ; increase D. reduce ; reduce
		A. 30% B. 100%

15	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.	B. 10% C. 70% D. 40%
16	Policies to reduce unemployment by reducing union power tax cut reduction is unemployment benefit and investment. subsidies are examples of.	A. Keynesian policies B. Supply side policies C. Monetarist policies D. Classical policies
17	If some body is prepared to work at the going wage rate but cannot find work than they are victims of.	A. Voluntary unemployment B. Classical unemployment C. Frictional unemployment. D. All of the above
18	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
19	An advocate of the classical model of the economy would claim that unemployment is created when the _____ is above its equilibrium level in the.	A. Price level, aggregate economy B. Tax rate, government budget C. Wage rate, labour market D. Interest rate, market for loanable funds
20	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