

## PPSC Economics Chapter 11 Assess Your Basics

Sr	Questions	Answers Choice
1	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
2	All of the following are parts of the business cycle except.	A. Boom B. slump C. Recovery D. Acceleration
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	If the central bank buys financial securities in the open market to increase the monetary base, this is an example of.	A. Lender of last resort     B. Financial intermediation     C. Open market operations     D. Financial regulation.
5	The business cycle describes fluctuations in output around the.	A. Trend path of output B. Boom C. Recession D. Short run fluctuations in output
6	If desired spending in the economy exceeds income we would expect.	A. House hold to save more B. Firm to produce less C. Firms is produce more D. the MPC to change
7	By restricting labour supply a trade union can and	A. Increase the wage, increase employment B. Maintain the wage, increase employment C. Increase the wage lower employment D. Maintain the wage, lower employment
8	If the consumption of a good by one person does not reduce the quantity available by other and nobody cna be easily excluded from consumption, we are referring to a.	A. Private good B. Merit good C. Public good D. Abundant good
9	The total multiplier for the economy will reflect.	A. MPC and MPT B. MPT and MPZ C. MPC and MPZ D. MPC, MPT and MPZ
10	If a country has a burden of debt it cannot sustain it can.	A. Reschedule debt B. Get a loan from an international organization C. Default on the loan D. Any of the above
11	Except for taxes to offset taxes are.	A. Imperfect competition , popular     B. Extremality's, distortionary     C. Inequality, a first best option     D. Poor health, unnecessary
12	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
13	Monetarists believe that a reduction in can be achieved by reducing.	A. Unemployment, prices     B. Inflation, wages     C. Unemployment, wages     D. Inflation, the quantity of nominal money
14	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
15	The equilibrium price clears the market it is the price at which.	A. Everything is sold     B. Buyers spend all their money     C. Excess demand is zero     D. c and d
16	All of the following represent obstacles to LDC development except.	A. Resource scarcity B. Low level of investment C. Low population D. Poor infrastructure
17	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
18	Starting from a balanced budget, for a given tax rate an increase in income will cause the government budget to.	A. Move into surplus B. Move into deficit C. Remain unchanged D. None of these
19	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
20	Within circular flow of income, an increase in domestic income iwll lend to increase.	A. Exports B. Taxes C. Inventories D. Imports