

PPSC Economics Topic 11 Assess Your Basics

Sr	Questions	Answers Choice
1	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
2	The multiplier is calculated as.	A. $1/(1-MPC)$ B. $1/MPS$ C. $1/MPC$ D. a or b
3	Aggregate demand in an economy trading internationally with a government sector can be written as.	A. $AD = C+I$ B. $AD = C + I + G$ C. $AD = C + I + G + X - Z$ D. $AD = C + I + G + X - Z$
4	In Nash equilibrium each player chooses the best strategy.	A. Assuming other players move first. B. Dominated by the other players C. Given the strategies of other players D. That is a credible threat
5	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.
6	The multiplier tells us how much _____ changes after a shift in.	A. Consumption, income B. Investment, output C. Savings, investment D. output, aggregate demand
7	A fall in investment demand can result from	A. Higher interest rates B. Lower expected future profits C. More expensive capital goods D. All of the above
8	The opportunity cost of acquiring education is.	A. Course fees B. Course fees and living expenses C. The earning foregone D. Course fees, living expenses and textbooks
9	The effect of a tax to offset a negative externality will be to _____ price and _____ quantity.	A. Reduce, reduce B. increase, increase C. Increase, reduce D. reduce, increase
10	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 changes D. fluctuate
11	The neoclassical theory of growth identifies the steady state rate of growth as the _____ just sufficient to keep _____ constant while labour grows.	A. Saving investment B. Capital per person productivity C. Labour growth, output D. Investment capital per person
12	All of the following are parts of the business cycle except.	A. Boom B. slump C. Recovery D. Acceleration
13	A supply curve is directly affected by	A. Technology B. Input costs C. Government regulation D. All of the above
14	Holding all factors constant except one and increasing a variable factor is expected to lead to steadily decreasing marginal product of the factor this is an example of.	A. Decreasing returns to scale B. The law of diminishing returns C. Constant returns to scale D. an inefficient production technique

15	If banks and the private sector decide to hold less cash the money multiplier will be.	A. Unchanged B. Larger C. Smaller D. unstable
16	In the EMU a country's competitiveness can change because of.	A. Interest rate adjustment B. Central bank intervention i the forex C. Domestic wage and price adjustment D. Devaluations
17	The retail price index is used to.	A. Construct price lists B. Compare shop prices C. Measure changes in the cost of living D. None of the above
18	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
19	In linear consumption function with a positive slope less than one means that if income increase, consumption will.	A. Fall B. Not change C. Fluctuate D. Increase
20	The most important source of wage differentiate are.	A. Reginal variation B. Unionization C. Relative danger D. Skills