

## PPSC Economics Chapter 1 Basic Economics

Sr	Questions	Answers Choice
1	A reduction in the money supply is likely to	A. Reduce interest rates B. Increase the interest rate C. Increase inflation D. Decrease deflation
2	According to the quantity theory of money an increase in the money supply is most likely to lead to inflation if	A. The velocity of circulation decreases B. The number of transactions decreases C. There is deflation D. The velocity of circulation and the number of transactions is constant
3	A fall in interest rates is likely to	A. Increase aggregate demand B. Increase savings C. Decrease consumption D. Decrease exports
4	The liquidity trap occurs when the demand for money	A. Is perfectly interest elastic B. Is perfectly interest inelastic C. Means that an increase in money supply leads to a fall in the interest rate D. Means that an increase in the money supply leads to an increase in the interest rate
5	The precautionary demand for money is	A. An idle balance B. An active balance C. Directly related to interest rates D. Inversely related to income
6	To reduce cyclical unemployment the government might.	A. Increase the budget surplus B. Increase the balance of payments deficit C. Reduce interest rates D. Reduce government expenditure
7	Less demand in the economy may increase unemployment this may lead to less spending which may reduce demand further This is called.	A. The upward accelerator B. The downward multiplier C. The upward PPF D. The downward MPC
8	Which of the following is not a supply side measure.	A. Increased training B. Providing more information C. Helping individuals to move location to find work D. Increasing spending on existing industries.
9	Occupational immobility of labour occurs if.	A. People lack information B. People do not want to work C. People do not have the right skills to work D. People cannot afford to move location
10	If there is cyclical unemployment in the economy the government might.	A. Increase interest rates B. Encourage savings C. Cut taxes D. Reduce government spending
11	The natural rate of unemployment is likely to fall if	A. Unemployment benefits increase B. Income tax increases C. More training is available for the unemployed D. Geographical immobility increases
12	Supply side policies are most appropriate to cure.	A. Involuntary unemployment B. Cyclical unemployment C. Voluntary unemployment D. A fall in aggregate demand
13	If people are made unemployed because of a fall in aggregate demand this is known as.	A. Frictional unemployment B. Seasonal unemployment C. Structural unemployment D. Cyclical unemployment

		<p>C. Cyclical unemployment</p> <p>D. Structural unemployment</p>
14	A government might use tax to.	<p>A. Discourage consumption of positive externalities</p> <p>B. Discourage consumption of public goods</p> <p>C. Discourage consumption of merit goods</p> <p>D. Discourage consumption of negative externalities</p>
15	The goal of a pure market economy is to best meet the desires of.	<p>A. Consumers</p> <p>B. Companies</p> <p>C. Workers</p> <p>D. The government</p>
16	The marginal rate of tax paid is.	<p>A. The total tax paid /total income</p> <p>B. Total income/total tax paid</p> <p>C. Change in the tax paid/change in income</p> <p>D. Change in income/change in tax paid</p>
17	If there is a price ceiling which of the following is NOT likely to occur.	<p>A. Rationing by first come first served</p> <p>B. Black markets</p> <p>C. Gray markets</p> <p>D. Sellers providing goods for free that were formerly not free</p>
18	If the economy grows the government's budget position will automatically	<p>A. Worsen</p> <p>B. Improve</p> <p>C. Stay the same</p> <p>D. Increase with inflation</p>
19	An expansionist fiscal policy could include	<p>A. Lower interest rates</p> <p>B. Increased lending by the banks</p> <p>C. An increase in corporation tax</p> <p>D. An increase in discretionary government spending</p>
20	The difference between gross investment and net investment is.	<p>A. Depreciation</p> <p>B. Acceleration</p> <p>C. Deceleration</p> <p>D. Capital investment</p>