PPSC Economics Chapter 1 Basic Economics

Sr	Questions	Answers Choice
1	If an increase in investment leads to a bigger increase in national income this is called the.	A. Accelerator B. Aggregate demand C. Monetarism **D. Multiplier**
2	Investment is an out stable element of aggregate demand because is depends heavily on.	A. Government policy **B. Expectations** C. National income D. Historic trends
3	Investment depend mainly on.	A. Past levels of income **B. Future expected profits** C. Present national income levels D. Historic data
4	The accelerator assumes.	A. The marginal propensity to consume is constant B. The economy is at full employment **C. There is a constant relationship between net investment and the rate of change of output** D. The multiplier is constant
5	An increase in interest rates.	A. Is likely to reduce savings B. Is likely to reduce the external value of the currency C. Leads to a shift in the MEC schedule **D. Leads to a movement along the MEC schedule**
6	An outward shift in the marginal efficacy of capital should.	A. Decrease consumption **B. Increase aggregate demand** C. Reduce aggregate supply D. Slow economic growth
7	An increase in investment is most likely to be caused by.	**A. Lower interest rates** B. Lower national income C. A decreasing the marginal propensity to consume D. An increase in with drywalls.
8	The marginal propensity to consume is equal to.	A. Total spending /total consumption B. total consumption/total income **C. Change in consumption/change in income** D. Change in consumption/change in savings
9	Friend man's theory of consumption focuses on	A. Past income B. Current income C. Disposable income **D. Permanent income**
10	Lower interest rates are likely to.	A. Decrease consumption B. Increase cost of borrowing C. Encourage saving **D. Increase spending**
11	An increase in consumption at any given level of income is likely to lead to.	**A. a fall in savings** B. An increase in exports C. A fall in taxation revenue D. A decrease in import spending
12	As income increases.	**A. the average propensity to consume gets nearer in value to the marginal propensity to consume** B. the average propensity to consume diverges in value from the marginal propensity to consume C. the average propensity to consume falls D. The averge propensity to consume always approaches 0

13	An increase in the marginal propensity to consume will	A. Increase the size of the multiplier B. Increase the marginal propensity to save C. Decrease national income D. Reduce injections into the economy
14	An increase in aggregate demand if aggregate supply is totally inelastic will.	A. Increase price but not output B. Increase output but not price C. Increase out put and price D. Decrease output and price
15	Increased levels of spending on imports	A. shift aggregate supply to the right B. Shift aggregate supply to the left C. Shift aggregate demand to the right D. Shift aggregate demand to the left
16	Increase un employment benefits and less incentive to work would.	A. Shift aggregate supply to the right B. Shift aggregate supply to the left C. Shift aggregate demand to the right D. Shift aggregate demand to the left
17	Improved training of employees would.	A. Shift aggregate supply to the right B. Shift aggregate supply to the left C. Shift aggregate demand to the right D. Shift aggregate demand to the left
18	Which of the following would decrease aggregate demand.	A. Increased consumption B. Increasing export revenue C. Increased taxation revenue D. Increased investment
19	Which of the following would increase aggregate demand.	A. Increasing saving B. Increasing import spending C. Increasing taxation revenue D. increased investment
20	An increase in aggregate demand will have most effect on prices if.	A. Aggregate supply is price inelastic B. Aggregate supply is price elastic C. Aggregate supply has a unitary price elasticity D. Aggregate demand is price inelastic