

## PPSC Economics Topic 1 Basic Economics

| Sr | Questions   | Answers Choice  |
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| 1  | Which of the following is not an argument for protectionism.                                      | A. To protect infant industries     B. To increase the level of imports     C. To protect strategic industries     D. To improve the balance of payments  |
| 2  | Why does it make sense in assume that people are rational, if you want to predict their behavior. | A. People are not guided by emotions when making decisions B. People wheo act in the way that best gets them what they want will tend to repeat that behavior, and will tend to learn from mistakes that they do make C. People never make mistakes, and tend to make the correct choices all of the time D. People always logically figure out what to do. |
| 3  | With a positive externality   | A. There is under consumption in the free market B. There is over consumption in the free market C. The government may tax to decrease production D. Society could be made off if less was produced   |
| 4  | In a command economy  | A. The price mechanism acts as an incentive B. Resources are allocated by market forces C. Individual firms make decisions for themselves about what to produce and how to produce it. D. The public sector is large  |
| 5  | Which of the following is a normative statement in economics.                                     | A. More spending by the government reduces poverty B. Higher taxes lead to less desire to work C. the UK Economy is growing fast relative to other European Union members D. The Government should concentrate on reducing unemployment   |
| 6  | The profit per scale is a measure of.   | A. Profit B. Profitability C. Feasibility D. Realism  |
| 7  | If employees cannot accept a job because of the costs of moving this is known as.                 | A. Occupational immobility     B. Cyclical unemployment     C. Structural immobility     D. Geographical immobility   |
| 8  | Labour productivity measures.   | A. The output per worker B. The output per machine C. Total output D. Marginal output   |
| 9  | To adjust GDP from market prices to factor cost.  | A. Add indirect taxes     B. Subtract subsidies     C. Deduct indirect taxes and subsides     D. Deduct indirect taxes and add subsides   |
| 10 | A benefit to consumers of price discrimination is that  | A. Some products are produced that would not other wise be produced B. Producer surplus increases C. Consumer surplus decreases D. Firms profits increase   |

| 11 | Human wants are   | A. Always fixed B. Limited C. Unlimited D. Likely to decrease over time  |
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| 12 | A recurring theme in economics is.  | A. People have unlimited wants in the face of limited resources  B. There are unlimited resources  C. Our country is rich, we just don't realize it  D. People have limited wants in the face of limited resource. |
| 13 | Economic growth can be measured by  | A. The CPI<br>B. The CBI<br>C. GDP<br>D. MPC   |
| 14 | Which kind economics deals with issues such as unemployment inflation, and economic growth.   | A. Macro economics B. Micro economics C. Growth economics D. Political economics   |
| 15 | The length of a business cycle would be measured from   | A. Peak t trough B. Trough to peak C. Peak to Peak D. The slump to the expansion   |
| 16 | An increase in price all other, things unchanged leads to.                                    | A. Shift demand outwards     B. Shift demand inward     C. A contraction of demand     D. An extension of demand   |
| 17 | If the marginal revenue is less than the marginal cost then to profit maximize a firm should. | A. Reduce output B. Increase output C. Leave output where it is. D. Increase costs   |
| 18 | In a free market the combination of products produced will be determined by.                  | A. Market forces of supply and demand B. The government C. The law D. The public sector  |
| 19 | In cartels.   | A. Firms complete against each other     B. Price wars are common     C. Firms use price to win market share from competitors     D. Firms collude   |
| 20 | In the long run in perfect competitiion   | A. the price equals the total revenue B. Firm are allocatively inefficient C. Firms are productively efficient D. the price equals total cost  |