

## PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	What does ceteris paribus mean.	A. "Scientific method" B. "Rational thinking" C. "Other things remaining the same" D. "There is no such thing as a free lunch"
2	Demand for primary products is likely to be	A. Very sensitive to price B. Price elastic C. Unit elastic D. Income inelastic
3	Which does the government not control directly.	A. Spending on health B. spending on defense C. Firm's investment decisions D. spending on education
4	A public good	A. Is provided by the government B. Is free C. Has the properties of being non excludable and non diminishable D. Has external costs
5	The marginal revenue curve in monopoly	A. Equals the demand curve B. Is a parallel with the demand curve C. Lies below and converges with the demand curve D. Lies below and diverges from the demand curve
6	According to classical models the level of employment is determined primarily by	A. Interest rates B. The level of prices C. The level of aggregate supply in the economy D. The level of aggregate demand for goods and services
7	In monopoly in long run equilibrium.	A. The firm is productively efficient B. The firm is allocatively inefficient C. The firm produces where marginal cost is less than marginal revenue D. The firm produces at the sociality optimal level
8	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 average propensity to consume always approaches 0
9	A cut in the tax rate designed to reduce the business investment is an example of.	A. Expansionary demand side policy B. Contractionary demand side policy C. Expansionary supply side policy D. Contractionary supply side policy
10	Which of the following is a possible government objective as opposed to a policy.	A. Lower interest rates B. Lower taxation rates C. Lower government spending D. Lower inflation
11	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
12	Economic growth can be measured by	A. The CPI B. The CBI C. GDP D. MPC
		A. The marginal cost will shift

13	In monopolistic competition if firms are making abnormal profit other firms will enter and	<p>outwards</p> <p>B. the demand curve will shift inwards</p> <p>C. The average cost will shift downwards</p> <p>D. The average variable cost will increase</p>
14	An increase in the wage rate.	<p>A. Will usually lead to more people employed</p> <p>B. Will decrease total earnings if the demand for labour is wage elastic</p> <p>C. Is illegal in a free market</p> <p>D. Will cause a shift in the demand for labour</p>
15	Why does it make sense in assume that people are rational, if you want to predict their behavior.	<p>A. People are not guided by emotions when making decisions</p> <p>B. People who 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</p> <p>C. People never make mistakes, and tend to make the correct choices all of the time</p> <p>D. People always logically figure out what to do.</p>
16	Economics is the study of.	<p>A. All business, including how they operate why they exist and how they affect</p> <p>B. Decisions that people must make because goods and services are limited.</p> <p>C. How to save money, spend money invest savings, and balance a checkbook</p> <p>D. The stock market the bond market and investment strategies</p> <p>E. Big business and its impact on our live</p>
17	Rapid increases in the price level during periods of recession or high unemployment are known as.	<p>A. Slump</p> <p>B. Stagnation</p> <p>C. Stagflation</p> <p>D. Inflation</p>
18	If injection are less than with draws at the full employment level of national income there is.	<p>A. an inflationary gap</p> <p>B. Equilibrium</p> <p>C. A deflationary gap</p> <p>D. Hyperinflation</p>
19	If employees cannot accept a job because of the costs of moving this is known as.	<p>A. Occupational immobility</p> <p>B. Cyclical unemployment</p> <p>C. Structural immobility</p> <p>D. Geographical immobility</p>
20	If labour productivity per week is 200 units and there are 5 employees what is the total output.	<p>A. 40 units</p> <p>B. 195 units</p> <p>C. 1000 units</p> <p>D. 200 units</p>