

PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	If people are made unemployed because of a fall in aggregate demand this is known as.	A. Frictional unemployment B. Seasonal unemployment C. Cyclical unemployment D. Structural unemployment
2	Nationalization occurs when	A. The government bans a product B. The government takes control of an industry C. the government taxes a product to a raise the price. D. The government taxes a product to a raise its price.
3	Developing economies usually	A. Have large industrialized sectors B. Are dependent on primary products C. Have high levels of wealth D. Earn more from exports than is spent on imports
4	Economic theory assumes that people	A. Act in greedy and selfish ways, without regard for the welfare of others. B. Act without regard for their own interests. C. Are not motivated by self interest D. Are motivated by self interest but still might be concerned for the welfare of others.
5	A cut in the income tax rate designed to encourage household consumption is an example of.	A. Expansionary demand side policy B. Contractionary demand side policy C. Expansionary supply side policy D. Contractionary supply side policy
6	In monopolistic competition if firms are making abnormal profit other firms will enter and	A. The marginal cost will shift outwards B. the demand curve will shift inwards C. The average cost will shift downwards D. The average variable cost will increase
7	Supply is likely to be more price elastic.	A. In the short run rather than the long run B. If factors of production are relatively immobile between industries. C. If there are very few producers D. If it is easy to expand output
8	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
9	A subsidy paid to producers.	A. Shifts the supply curve B. Shifts the demand curve C. Leads to a contractionary supply D. Leads to an extension of supply
10	Economics given can be shown by	A. An inward shift of the production possibility frontier B. A movement down the production possibility frontier C. An outward shift of the production possibility frontier D. A movement up the production possibility frontier
11	A profit maximizing firm will employ labour up to the point where.	A. Marginal revenue = Marginal product B. Marginal cost = Marginal product C. Marginal revenue product =

Average cost of labour
D. Marginal revenue product =
Marginal cost of labour

12 In the long term a firm will produce provided the revenue covers.

A. Fixed costs
B. Variable cost
C. Total costs
D. Revenue

13 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

14 Investment is an unstable element of aggregate demand because it depends heavily on.

A. Government policy
B. Expectations
C. National income
D. Historic trends

15 Which does the government not control directly.

A. Spending on health
B. Spending on defense
C. Firm's investment decisions
D. Spending on education

16 If the economy grows the government's budget position will automatically

A. Worsen
B. Improve
C. Stay the same
D. Increase with inflation

17 The average variable cost curve.

A. Is derived from the average fixed costs
B. Converges with the average cost as output increases
C. Equals revenue minus profits
D. Equal the total costs divided by the output

18 The marginal rate of tax paid is.

A. The total tax paid / total income
B. Total income / total tax paid
C. Change in the tax paid / change in income
D. Change in income / change in tax paid

19 Government policies that focus on increasing production rather than demand are called.

A. Fiscal policies
B. Monetary policies
C. Incomes policies
D. Supply side policies

20 What makes economics scientific.

A. It tests theories against observations and modifies the theories if needed.
B. It uses numbers to measure things
C. It involves the use of experiments
D. It is a description of how things work
