

PPSC Economics Topic 1 Basic Economics

Sr	Questions	Answers Choice
1	According to the quantity theory of money an increase in the money supply is most likely to lead to inflation if	<p>A. The velocity of circulation decreases</p> <p>B. The number of transactions decreases</p> <p>C. There is deflation</p> <p>D. The velocity of circulation and the number of transactions is constant</p>
2	World trade has been increasing due to.	<p>A. Increased tariffs</p> <p>B. Increased legal barriers</p> <p>C. Increased embargoes</p> <p>D. Reduced protectionism</p>
3	Inflation.	<p>A. Reduces the cost of living</p> <p>B. Reduces the standard of living</p> <p>C. Reduce the price of products</p> <p>D. Reduces the purchasing power of a price</p>
4	The standard of living is often measured by	<p>A. Real GDP per capita</p> <p>B. Real GDP</p> <p>C. Real GDP * Population</p> <p>D. Real GDP Plus depreciation</p>
5	"Reducing inflation is a more important objective than economic growth" is an example of.	<p>A. Normative economics</p> <p>B. Positive economics</p> <p>C. Objective economics</p> <p>D. Reality economics</p>
6	Which of the following rights be a scarce good.	<p>A. Love</p> <p>B. faith</p> <p>C. Self control</p> <p>D. All of above</p>
7	The law of demand states that.	<p>A. As the quantity demanded rises, the price rises.</p> <p>B. As the price rises the quantity demanded rises</p> <p>C. As the price rises, the quantity demanded falls.</p> <p>D. As supply rises, the demand rises.</p>
8	The fundamental economic problem faced by all societies is.	<p>A. Unemployment</p> <p>B. Inequality</p> <p>C. Poverty</p> <p>D. Scarcity</p>
9	Demand pull inflation may be caused by	<p>A. An increase in costs</p> <p>B. A reduction in interest rate</p> <p>C. A reduction in government spending</p> <p>D. An outward shift in aggregate supply</p>
10	Revealed preference theory was presented by.	<p>A. Samuelson</p> <p>B. Hicks</p> <p>C. Marshall</p> <p>D. rICARDO</p>
11	A welfare loss occurs in monopoly where	<p>A. The price is greater than the marginal cost</p> <p>B. The price is greater than the marginal benefit</p> <p>C. The price is greater than the average revenue</p> <p>D. Has the right to investigate monopolies and will assess each one on its own merits</p>
12	What does ceteris paribus mean.	<p>A. "Scientific method"</p> <p>B. "Rational thinking"</p> <p>C. "Other things remaining the same"</p> <p>D. "There is no such thing as a free lunch"</p>

13	The bowed shape of the production possibilities curve illustrates.	<p>A. The law of increasing marginal cost</p> <p>B. the production is inefficient</p> <p>C. That production is inattainable</p> <p>D. The demand is relatively inelastic</p>
14	Game theory	<p>A. Firms are assumed to act independently</p> <p>B. Firms are assumed to cooperate with each other</p> <p>C. Firms collude as part of a cartel</p> <p>D. Firms consider the actions of others before deciding what to do.</p>
15	In economics, the term 'scarcity' refers to the fact that	<p>A. Everything worthwhile costs money</p> <p>B. No society is able to produce enough to fully satisfy the desires of people for goods.</p> <p>C. Even in wealthy societies, like the United States, some people are poor</p> <p>D. Sometimes shortages of product result if its price is set too low.</p> <p>E. In any urban area there are people who have had healed wounds</p>
16	Demand for a normal product may shift outwards if.	<p>A. Price decreases</p> <p>B. The price of a substitute falls</p> <p>C. the price of a complement rises</p> <p>D. Income falls</p>
17	In perfect price discrimination	<p>A. Consumer surplus is maximized</p> <p>B. Producer surplus is zero</p> <p>C. Community surplus is maximized</p> <p>D. Consumer surplus is zero</p>
18	For equilibrium in an open four sector economy	<p>A. Actual injections = actual withdrawals</p> <p>B. Planned injections = Planned withdrawals</p> <p>C. Savings = investment</p> <p>D. Government spending = tax revenue</p>
19	Market is called father of economics	<p>A. Marshall</p> <p>B. Robbins</p> <p>C. Keynes</p> <p>D. Friedman</p>
20	When marginal revenue equals marginal cost	<p>A. Total revenue equal total cost</p> <p>B. There is the biggest positive difference between total revenue and total cost</p> <p>C. there is the biggest negative difference between total revenue and total cost.</p> <p>D. Profits are zero</p>