

PPSC Economics Chapter 1 Basic Economics

Sr	Questions	Answers Choice
1	Aggregate demand refers to the total demand for all domestically produced goods and services in an economy generated from.	A. The household and government sectors B. The household sector C. All sectors except the rest of the world D. All sectors including the rest of the world.
2	According to Keynes, the level of employment is determined 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.
3	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
4	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
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	A study of how increase in the minimum wage rate will effect the national unemployment rate is an example of.	A. Descriptive economics B. Normative economics C. Macro economics D. Micro economics
7	World trade has been increasing due to.	A. Increased tariffs B. Increased legal barriers C. Increased embargoes D. Reduced protectionism
8	Why might a country resist globalization.	A. Greater choice of final products B. Greater choice of supplies C. Greater competition for domestic firms D. More markets to sell to
9	Finding a partner to work with abroad is called a.	A. Takeover B. Merger C. Acquisition D. Joint venture
10	Globalization is made more difficult by	A. The actions of the World Trade Organization B. The removal of protectionist measures C. Exchange rate instability D. More free trade agreements
11	Which of the following best describes the selling of a production license to another firm.	A. Hands over all rights to its products B. Sells its products abroad C. Sells the right to produce to another business D. Sells the business to another business
12	A multinational busniess	A. Sells products abroad B. Produces in more than one country C. Imports from abroad D. Sells only domestically

13	Globalization is likely to increase with	B. An increase in tariffs C. More trade within countries D. Greater trade flows between countries
14	Which of the following is not a global organization?	A. IMF B. World bank C. Competition commission D. WTO
15	The marginal propensity to consume in a less Developed Country is likely to be.	A. _{Less than 0} B. Nearly 0 C. High D. Low
16	An injection of funds into a less developed country might set off the	A. Multiplier B. Marginal propensity to save C. Average propensity to consume D. The Laffer effect
17	In a less developed country.	A. The infrastructure is likely to be good. B. Real wages are likely to be high C. Unemployment is likely to be low D. The primary sector is likely to be significant
18	Less Developed countries tend to have	A. A high average age B. A slow population growth rate C. High life expectancy D. A low literacy rate
19	Over time the price of primary products tends to fall because.	A. Demand is income elastic B. Supply is income elastic C. Of outward shifts in supply D. Demand is price elastic
20	Earning from primary products are often unstable because.	A. Demand is price elastic B. Supply is price elastic C. Supply conditions are relatively stable D. Supply conditions are unstable