PPSC Economics Chapter 1 Basic Economics

Sr	Questions	Answers Choice
1	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
2	Demand for primary products is likely to be	A. Very sensitive to price B. Price elastic C. Unit elastic D. Income inelastic
3	Developing economics usually have	A. Low GDP per captia B. Low CPI C. Large balance of payments surpluses D. Large budget surpluses
4	Which of the following is not a way of helping developing economics.	A. Aid B. Loans C. Protectionism of developed markets D. Training and education programmes
5	To prevent the external value of the currency from failing the government might	A. Reduce interest rates B. Sell its own currency C. Buy its own currency with foreign reserves D. Increase its own spending
6	Tariffs.	A. Decrease the domestic price of a product. B. Increase government earnings from tax C. Increase the quantity of imports D. Decrease domestic production
7	Free trade is based on the principle of	A. Comparative advantage B. Comparative scale C. Economics of advantage D. Production possibility advantage
8	A demand switching policy could be.	A. Higher interest rates B. Higher income tax C. Traiffs D. Reduced government spending
9	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
10	A depreciation of currency occur when	A. The value of the currency falls B. The value of the currency increases C. Inflation falls D. The balance of payments improves
11	If the exchange rate is above the equilibrium level.	A. There is excess demand and teh exchange rate will fall B. There is excess supply and the exchange rate will fall C. There is excess demand and the exchange rate will rise D. There is excess supply and the exchange rate will rise
12	The Philips curve shows the relationship between inflation and what?	A. The balance of trade B. The rate of growth in an economy C. The rate of price increases D. Un employment

13	Menu costs in relation to inflation refer to	A. Costs of finding better rates of return B. Costs of altering price lists C. Costs of money increasing its value D. Costs of revaluing the currency
14	The effects of inflation on the price competitiveness of a country's products may be offset by	A. An appreciation of the currency B. A revaluation of the currency C. A depreciation of the currency D. Lower inflation abroad
15	An increase in costs will	A. Shift aggregate demand B. Shift aggregate supply C. Reduce the natural rate of unemployment D. Increases the productivity of employees
16	An increase in aggregate demand is more likely to lead to demand pull inflation if.	A. Aggregate supply is perfectly elastic B. Aggregate supply is perfectly inelastic C. Aggregate supply is unit elastic D. Aggregate supply is relatively elastic
17	Inflation.	A. Reduces the cost of living B. Reduces the standard of living C. Reduce the price of products D. Reduces the purchasing power of a price
18	Demand pull inflation may be caused by	A. An increase in costs B. A reduction in interest rate C. A reduction in government spending D. An outward shift in aggregate supply
19	Open market operations occur when the government.	A. Reduces the interest rate B. Buys and sells bonds and securities C. Increases taxation D. Increases the exchange rate
20	To reduce the supply of money the government could.	A. Reduce interest rates B. Buy back government bonds C. Sell government bonds D. Encourage banks to lend