

PPSC Economics Full Book MCQ Test

Sr	Questions	Answers Choice
1	The law of diminishing returns states that as more of a variable factor is added to a certain amount of a fixed factor beyond some point.	A. Total Physical product begins to fall B. The marginal physical product rises C. The marginal physical product falls D. The average physical product falls.
2	As the MPS increases, the multiplier will	A. Increase B. Either increase or decrease depending on the size of the change in investment C. Remain constant D. Decrease
3	Which of the following is not an obvious or direct determinant of a country's imports.	A. Real exchange rate B. Income C. Tariff rates D. Interest rate
4	Which is the most volatile component of aggregate demand.	A. Net exports B. Consumption C. Investment D. Government spending
5	Which of the following is a determinant of consumption.	A. Expectations about future prices B. Level of indebtedness of consumers C. The price level D. All of the above
6	Say's law states that	A. Supply creates its own demand B. Demand creates its own supply C. There is no such things as a free lunch D. Macro economics policy activism is essential to ensure full employment.
7	The hypothesis that people know the true model of the economy and that they use this model and all available information to form their expectations of the future is the	A. Relational expectations hypothesis. B. Active expectations hypothesis C. Static expectations hypothesis D. Adeptive expectations hypothesis
8	Rapid increases in the price level during periods of recession or high unemployment are known as.	A. Slump B. Stagnation C. Stagflation D. Inflation
9	In a market system sellers act in ____ interest, but this leads to behaviors in ____ interest.	A. Self : self B. Self ; society's C. Society's ; society's D. society's, self
10	The economists who emphasized wage flexibility as a solution for unemployment were.	A. Monetarists B. New keynesians C. Classical economists D. Keynesians
11	Prices that do not always adjust rapidly to maintain equality between quantity supplied and quantity demanded are.	A. Market prices B. Sticky prices C. Fixed prices D. Regulatory prices
12	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
13	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 except the rest of the world

		D. All sectors including the rest of the world.
14	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.
15	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
16	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
17	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
18	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
19	World trade has been increasing due to.	A. Increased tariffs B. Increased legal barriers C. Increased embargoes D. Reduced protectionism
20	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
21	Finding a partner to work with abroad is called a.	A. Takeover B. Merger C. Acquisition D. Joint venture
22	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
23	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
24	A multinational busniess	A. Sells products abroad B. Produces in more than one country C. Imports from abroad D. Sells only domestically
25	Globalization is likely to increase with	A. More protectionism B. An increase in tariffs C. More trade within countries D. Greater trade flows between countries
26	Which of the following is not a global organization?	A. IMF B. World bank C. Competition commission D. WTO
27	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
28	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

29	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
30	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