

PPSC Economics Full Book MCQ Test

Sr	Questions	Answers Choice
1	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
2	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
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	Demand for primary products is likely to be	A. Very sensitive to price B. Price elastic C. Unit elastic D. Income inelastic
5	Developing economics usually have	A. Low GDP per capita B. Low CPI C. Large balance of payments surpluses D. Large budget surpluses
6	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
7	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
8	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
9	Free trade is based on the principle of	A. Comparative advantage B. Comparative scale C. Economics of advantage D. Production possibility advantage
10	A demand switching policy could be.	A. Higher interest rates B. Higher income tax C. Traiffs D. Reduced government spending
11	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
12	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
		A. There is excess demand and teh exchange rate will fall B. There is excess supply and the

13	If the exchange rate is above the equilibrium level.	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
14	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
15	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
16	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
17	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
18	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
19	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
20	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
21	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
22	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
23	A reduction in the money supply is likely to	A. Reduce interest rates B. Increase the interest rate C. Increase inflation D. Decrease deflation
24	According to the quantity theory of money an increase in the money supply is most likely to lead ot inflation if	A. The velocity of circulation decreases B. The number of transactions decreases C. There is deflation D. The velocity of circulation and the number of transactions is constant
25	A fall in interest rates is likely to	A. Increase aggregate demand B. Increase savings C. Decrease consumption D. Decrease exports
26	The liquidity trap occurs when the demand for money	A. Is perfectly interest elastic B. Is perfectly interest inelastic C. Means that an increase in money supply leads to a fall int he interest rate D. Means that an increase in the money supply leads to an increase in the interest rate

A. An idle balance

27	The precautionary demand for money is	A. An idle balance B. An active balance C. Directly related to interest rates D. Inversely related to income
28	To reduce cyclical unemployment the government might.	A. Increase the budget surplus B. Increase the balance of payments deficit C. Reduce interest rates D. Reduce government expenditure
29	Less demand in the economy may increase unemployment this may lead to less spending which may reduce demand further This is called.	A. The upward accelerator B. The downward multiplier C. The upward PPF D. The downward MPC
30	Which of the following is not a supply side measure.	A. Increased training B. Providing more information C. Helping individuals to move location to find work D. Increasing spending on existing industries.