PPSC Economics Full Book MCQ Test

Sr	Questions	Answers Choice
1	Floating exchange rates are __ in the short run	A. Stable B. Volatile C. Predictable D. Depreciating
2	If one country, with floating exchange states, has higher inflation than its competitors, we would expect its exchange rate to.	A. Appreciate B. Depreciate C. Revalue D. be in short supply
3	In the short run the level of floating exchange rates is determined mainly by.	A. Interest rates B. Competitiveness C. Trade D. Speculation
4	Under floating exchange rates, expectations of higher interest rates are likely to cause an __________ of the exchange rate.	A. Depreciation B. Appreciation C. fall D. Devaluation
5	A fixed exchange rate, plus perfect capital mobility _______ the scope for monetary policy.	A. Enhances B. Undermines C. Encourages D. Facilitates
6	In the absence of international capital controls, central banks set ______ to provide the correct incentive for speculators	A. Money supply targets B. Income policy C. Interest rates D. Inflation targets
7	With fixed exchange rates and no private currency flow, when the central bank buys domestic currency the domestic money supply is.	A. Increased B. Unaffected C. Reduced D. All of the above
8	When capital mobility is perfect, interest rate differentials will tend to be offset by	A. Price differences. B. Balance of payments differences. C. Current account differences. D. Expected exchange rate changes
9	Perfect international capital mobility suggests that international funds will be responsive to _______ differentials.	A. Current account B. Interest rate C. Tax D. Price
10	Within circular flow of income, an increase in domestic income iwll lend to increase.	A. Exports B. Taxes C. Inventories D. Imports
11	A rise in the real exchange rate will __ the competitiveness of the domestic economy.	A. Increase B. reduce C. do nothing do D. all of these
12	Starting from a position of internal and external balance a reduction in aggregate demand will cause a current account.	A. Deficit B. Surplus C. Revaluation D. Devaluation
13	A current account deficit means that a country may.	A. Reduce its stock of foreign assets B. Increases its stock of foreign assets C. Increases its savings D. Increases its foreign currency reserves.
14	In a fixed exchange rate regime, the central bank will intervene by __ pounds to ______ the exchange rate.	A. Selling, increase B. buying , increase C. selling, reduce D. both b and c
15	When the S/L exchange rate rises the pounds______ and whent he S/L rate falls the pounds	A. depreciates, appreciates B. revalues, devalues C. appreciates, deprecates

	pounds.	D. becomes more expensive, becomes cheaper
16	If British Residents want more French francs to purchases more fresh wine, other things equal than the equilibrium value of the pound against the French farce will.	A. Rise B. fall C. not changes D. fluctuate
17	Possible causes of involuntary unemployment are	A. Minimum wage agreements B. Trade unions C. Scale economies D. All of the abvoe
18	The abolition of income tax would probably ________ the number of workers in employment and_____________ the equilibrium. rate of unemployment.	A. increase ; decrease B. increase ; increase C. reduce ; increase D. reduce ; reduce
19	If the income tax rate changes from 30% to 40% on incomes over L 30,000 and a person's income is l 31,000 then her marginal tax rate is.	A. 30% B. 10% C. 70% D. 40%
20	Polices to reduce unemployment by reducing union power tax cut reduction is unemployment benefit and investment. subsidies are examples of.	A. Keynesian polices B. Supply side policies C. Monetarist policies D. Classical policies
21	If some body is prepared to work at the going wage rate but cannot find work than they are victims of.	A. Voluntary unemployment B. Classical unemployment C. Frictional unemployment. D. All of the above
22	We would normally expect the size of the labour force to be ____ than the number of workers willing to accept job offers at any real wage rate.	A. Smaller B. Larger C. the same size D. None of these
23	An advocate of the classical model of the economy would claim that unemployment a created when the ____________ is above its equilibrium level in the.	A. Price level, agregate economy B. Tax rate, government ebudget C. Wage rate, labour market D. Interest rate, market for loanable funds
24	A person who is made redundant because of the contraction of an industry is a victim of.	A. Frictional unemployment B. Demand deficient unemployment C. Classical unemployment D. Structural unemployment
25	The costs of inflation are	A. Shoe leather costs B. Menu costs C. Income redistribution D. All of the above
26	The short run Philips curve can shift in response to changes in	A. inflationary expectations B. Unemployment C. The inflation rate D. Wage rates
27	The long run Philips curve is __________ at the ______	A. Horizontal natural rate of inflation B. Horizontal , natural rate of unemployment C. Vertical , natural rte of inflation D. Vertical , equilibrium rate of unemployment.
28	The Philips curve shows the trade off between ________ and _____	A. The inflation rate, interest rates B. The inflation rate, the unemployment rate C. interest rates, output D. Output, employment
29	Government may contribute to inflationary pressure on account of building up large.	A. Numbers of employees B. Welfare plans C. Budget deficits D. Expenditure.
30	During periods of rising inflation and rising interest rates we expect the demand for real cash to.	A. rise B. fall C. not change D. fluctuate