

PPSC Economics Full Book MCQ Test

Sr	Questions	Answers Choice
1	The asset market approach a more helpful in explaining.	A. why excahnge rates remain quite stable B. Why governments change their money supplies. C. Long term exchange rate movement. D. Short term exchange rate movement.
2	Starting from a position where the nation's money demand equals the money supply and its balance of payments is it equilibrium, economic theory suggest that the nation's balance of payments would more into a surplus position if there occurred in the nation a.	A. Decrease in the money supply B. Increase in the money supply C. Decrease in the money demand D. any of the above
3	The relation ship between the exchange rate and the prices of tradable goods is known as the.	A. Purchasing power parity theory B. Asset markets theory C. Monetary theory D. Balance of payments theory
4	Currency speculations is_____ if speculators bet against market forces that cause exchange functions, thus moderating such flucutations.	A. Destabilizing B. Stabilizing C. Inflationary D. Deflationary
5	Riskless transactions to take advantage of profit opportunities due to a price differential or a yield differential in excess of transaction costa are called	A. deferential actions B. Cash transactions, C. Arbitrage D. Forward transactions
6	Comparative advantage is determined by	A. Actual difference in labor productivity between countries. B. Relative difference in labor productivity between countries. C. both a and b D. Neither a and b
7	Absolute advantage is determined by.,	A. Actual difference in labor productivity between countries. B. Relative difference in labor productivity between countries. C. Both a and b D. neither a and b
8	In the classical model of Ricardo the direction of trade is delemined by.	A. Absolute advantage B. Comparative advantage C. Physical advantage D. Which way the wind blows
9	The earliest statement of the principle of comparative advantage is associated with.	A. Adam Smith B. David Ricardo C. Eli Heckshcer D. Berti Ohlin
10	a nation with a current account deficit will be	A. Lending more money to other nations B. Experiencing a surplus in exports of goods and services. C. Reducing its indebtedness to other nations D. Going further into debt with other nations
11	International trade is based on the idea that.	A. Exports should exceed imports B. Imports a should exceed exports C. Resources are more mobile internationally than are goods D. Resources are less mobile internationally than are goods.
12	International trade forces domestic firms to become more competitive in terms of.	A. The introduction of new products B. Product design and quantity C. Product price D. All of the above
		A. International movements of capital

13	International trade in goods and services is sometimes used as a substitute for all of the following except.	B. International movement of labor C. International movement of technology D. Domestic production of different goods and services
14	The central economic problem in an economy refers to.	A. The prevalence of unemployment B. To allocate scarce resources between competing uses. C. Consumers having less money than they would like D. ensure that production costs are converted by sales revenue.
15	If an economy experience an increase in productivity it means that.	A. the level of output has risen B. Employees are working harder than before C. Output per unit of input has risen D. Technical change has taken place
16	The multiplier for a change in social security benefits is equal to the multiplier for a change in the same direction in salaries of Evanston police officers.	A. the marginal propensity to save B. Minus the marginal propensity to save C. The marginal propensity to consume D. Minus the marginal propensity to consume
17	Which provides the best explanation of the failure of many poor countries to experience economic growth as rapid as the rich countries..	A. Classical growth theory B. Neoclassical growth theory C. New growth theory D. Market failure
18	Depreciation is.	A. A decrease in the stock of capital B. Gross investment C. Net investment D. An increase in the stock of capital
19	Which of the following NOT a source of economic growth.	A. Investment in new capitals B. Labor productivity C. Investment in human capital D. Technology advances
20	Productivity can grow.	A. If capital per hour of labor increases. B. If there are no technological advances. C. If capital per hour of labor decreases D. If real GDP per hour labor decrease and capital per hour of labor increases.
21	The productivity curve	A. Is given by the labor productivity B. Shows the change in real GDP per hour of labor as the amount of capital per hour labor changes C. Shows the change in technology D. Is given by the equation $Y = F(L, K, T)$
22	A decrease in lump sum taxes is an example of.	A. Contractionary fiscal policy B. Expansionary fiscal policy C. A change in induced taxes D. A and c
23	the difference between actual and planned expenditure is equal to.	A. $X - M$ B. $M - X$ C. Unplanned inventory change D. Excess reserves of depository institutions.
24	In Balance of payments accounting tourism and travel are classified in the	A. Merchandise trade account B. Services account C. Unilateral transfers account D. Capital account
25	In the short run an increase in the quantity of money _____ real GDP and _____ the price level.	A. increases ; raises B. does not change ; lowers C. decreases ; raises D. decrease ; lowers
26	The larger the required reserve ratio the.	A. Smaller is the deposit multiplier B. Larger is the deposit multiplier C. Larger is the amount of total deposits that can be created from a new deposit D. Larger is the amount of total money that can be created from a

money that can be created from a withdrawal

27	Your checking account is	A. An asset for you and a liability for your bank B. A liability for you and an asset for your bank C. An asset for both you and your bank D. A liability for both you and your bank
28	According to the crowding out effect, if there is a government deficit, the real interest rate will _____ and investment will _____	A. rise ; rise B. fall ; rise C. rise ; fall D. fall ; fall
29	The investment demand curve shifts rightward if	A. The real interest rate falls B. Savers increase their thriftiness C. The expected profit rate increases. D. The economy moves into a recession
30	According to the wealth effect, an increase in the price level _____ real wealth and _____ consumption expenditure.	A. Increase, Increases. B. Increases ; decreases C. decreases ; increases D. decreases ; decreases