PPSC Economics Topic 11 Assess Your Basics

Sr	Questions	Answers Choice
1	If a person thinks they are better off after a 10% wage increase, and all prices have risen 10%, then they are experiencing.	A. Inflation B. A supply shocks C. Crowding out D. Inflation illusion
2	The multiplier tells us how much _____ chagnes after a shift in.	A. Consumption, income B. Investment , output C. Savings, investment D. output, aggregate demand
3	Except for taxes to offset ___ taxes are.	A. Imperfect competition , popular B. Extremality's, distortionary C. Inequality, a first best option D. Poor health, unnecessary
4	The effect of a tax to offset a negative eternality will be to _____ price and ____ quantity.	A. Reduce, reduce B. increase, increase C. Increase , reduce D. reduce, increase
5	Monetarists believe that a reduction in _____ can be achieved by reducing.	A. Unemployment, prices B. Inflation, wages C. Unemployment, wages D. Inflation, the quantity of nominal money
6	Market failure may arise because of.	A. Imperfect competition B. Taxation C. Externalities D. All of the above
7	A dominant strategy is.	A. A winning strategy B. A losing strategy C. A players best strategy when moving fist D. a player's best strategy whatever the strategies adopted by rivals
8	Positive cross elasticities suggest that goods are _____ and negative cross elasticities that goods are.	A. Substitutes, interior B. Normal, complements C. Substitutes, complements D. Normal , interior
9	Fiscal policy is weak under floating exchange rates as fiscal expansion.	A. Crowds out imports B. Crowds out public consumption C. Crowds out exports D. Reduces the budget deficit
10	Economic transition involves high inflation because _____ and _____	A. High monetary growth, high wages. B. High budget deficits, devaluation C. High monetary growth, devaluation D. Prices surge from an artificially low level to their equilibrium level the inflation tax is required as source of government revenue.
11	A fixed exchange rate, plus perfect capital mobility _____ the scope for monetary policy.	A. Enhances B. Undermines C. Encourages D. Facilitates
12	Holding all factors constant except one and increasing a variable factor is expected to lead to steadily decreasing marginal product of the factor this is an example of.	A. Decreasing returns to scale B. The law of diminishing returns C. Constant returns to scale D. an inefficient production technique
13	On a graph a positive linear relation ship.	A. Moves down to the right B. Moves up to the left C. Moves up to the right D. Modes down to the left
14	Skilled labour is relatively scarce because.	A. There are too few teachers B. Too few student places in higher education

	Skilled labour is relatively scarce because:	C. It is costly to acquire human capital D. Teachers salaries are too low
15	In the classical model, potential output can not be increased by	A. Monetary growth B. Better technology C. More capital D. higher labour supply
16	Satellite television subscription and television detection devices are ways in which broadcasting companies address the _____ problem.	A. Externality B. Market imperfection C. Deadweight burden D. Free rider
17	The business cycle is not transmitted from one country to another through.	A. Private sector imports and exports B. Economic policy C. The duration of compulsory education D. Labour supply changes
18	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
19	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
20	Perfect international capital mobility suggests that international funds will be responsive to _____ differentials.	A. Current account B. Interest rate C. Tax D. Price