1501. A welfare loss occurs in monopoly where ?
A. **The price is greater than the marginal cost**
B. The price is greater than the marginal benefit
C. The price is greater than the average revenue
D. The price is greater than the marginal revenue

1502. Which of the following is not a barrier to entry in a monopolized market ?
A. **A single firm is very large**
B. The government gives a single firm the exclusive right to produce some good
C. The costs of production make a single producer more efficient than a large number of productions
D. A key resource is owned by a single firm

1503. When a monopolist produces an additional unit, the marginal revenue generated by that unit must be ?
A. **below the price because the price effect outweighs the output effect**
B. above the price because the output effect outweighs the price effect
C. above the price because the price effect outweighs the output effect
D. below the price because the output effect outweighs the price effect

1504. Which of the following statements about price and marginal cost in competitive and monopolized markets is true ?
A. **In competitive markets, price equals marginal cost, in monopolized markets price exceeds marginal cost.**
B. In competitive markets price equals marginal cost, in monopolized markets price equals marginal cost
C. In competitive markets price exceeds marginal cost, in monopolized markets price exceeds marginal cost
D. In competitive markets price exceeds marginal cost in monopolized markets price equals marginal cost

1505. Thomas is a monopolist in the production of your textbook because ?
A. **Thomson has a legally protected exclusive right to produce this textbook**
B. Thomson owns a key resource in the production of textbooks.
C. Thomson is a natural monopoly,
D. Thomson is a very large company

1506. The inefficiency associated with monopoly is due to ?
A. **underproduction of the good**
B. the monopoly's profits

C. the monopoly's losses
D. overproduction of the good

1507. The monopolist's supply curve ?
A. **does not exist**
B. is the marginal cost curve above average variable cost?
C. is the marginal cost curve above average total cost
D. is the upward-sloping portion of the average total cost curve
E. The upward-sloping portion of the average variable cost

1508. The purpose of antitrust (also known as competition) laws is to ?
A. **Increase competition in an industry by preventing mergers and breaking up large firms.**
B. regulate the prices charged by a monopoly
C. increase merger activity to help generate synergies that reduce costs and raise efficiency.
D. create public ownership of natural monopolies
E. all of these answers

1509. Which of the follow statements about price discrimination is not true ?
A. **Perfect price discrimination generates a deadweight loss**
B. Price discrimination can raise economic welfare.
C. price discrimination requires that seller be able to separate buyers according to their willingness to pay.
D. Price discrimination increases a monopolist's profits.
E. For a monopolist to engage in price discrimination buyers must be unable to engage in arbitrage.

1510. A monopoly is able to continue to generate economic profits in the long run because ?
A. **there is some barrier to entry to that market**
B. Potential competitors sometimes don't notice the the profits.
C. the monopolist is financially powerful.
D. antitrust laws eliminate competitors for a specified number of years.
E. of all of the things described in these answers

1511. Which of the following is a characteristic of pure monopoly ?
A. **One seller of the product**
B. low barriers to entry
C. close substitute products
D. perfect information

1512. In order to maximize profits, a monopoly company will produce that quantity at which the ?
A. marginal revenue equals average total cost
B. Price equals marginal revenue

C. marginal revenue equals marginal cost
D. total revenue equals total cost

1513. This monopolist should produce ?
A. 1
B. 2
C. 3
D. 4
E. 5

1514. Which of the following is necessary for a natural monopoly ?
A. economies of scale
B. a high proportion of the total cost in the cost of capital goods
C. the market is very small
D. all of the above

1515. In order to practice price discrimination which of the following is needed ?
A. some degree of monopoly power
B. an ability to separate the market
C. an ability to prevent reselling
D. all of the above

1516. In price discrimination, which section of the market is charged the higher price ?
A. The section with the richest people
B. The section with the oldest people
C. The section with the most inelastic demand
D. The section with the most elastic demand

1517. The marginal revenue curve in monopoly ?
A. Equals the demand curve
B. Is parallel with the demand curve
C. Lies below and converges with the demand curve
D. Lies below and diverges from the demand curve

1518. In monopoly in long run equilibrium ?
A. The firm is Productively efficient
B. The firm is allocatively inefficient
C. The firm produces where marginal cost is less than marginal revenue
D. The firm produces at the socially optimal level

1519. In a monopoly which of the following is not true ?
A. Products are differentiated
B. There is freedom of entry and exit into the industry in the long run

C. The firm is a price taker
D. There is one main sellers

1520. According to Schumpeter ?
A. Monopolies are inefficient
B. Monopoly profits ac as an incentive for innovation
C. Monopolies are alocatively efficient
D. Monopolies are productively efficient

1521. In the UK the government ?
A. Bans monopolies
B. Fines all monopolies
C. Prevents firms acquiring more than 25% of the market
D. Has the right to investigate monopolies and will assess each one on its own merits

1522. A firm whose average total cost continually declines at least to the quantity that could supply the entire market is known as a ?
A. **natural monopoly**
B. perfect competitor
C. government monopoly
D. regulated monopoly

1523. A monopolist maximizes profit by producing the quantity at which ?
A. **marginal revenue equals marginal cost**
B. marginal revenue equals price
C. marginal cost equals price
D. marginal cost equals demand
E. none of these answers

1524. Compared to a perfectly competitive market a monopoly market will usually generate ?
A. **higher prices and lower output**
B. higher prices and higher output
C. lower prices and lower output
D. lower prices and higher output

1525. Using government regulations to force a natural monopoly to charge a price equal to his marginal cost will ?
A. **Cause the monopolist to exit the market**
B. improve efficieny
C. raise the price of good
D. attract additional firms to enter the market

1526. Public ownership of natural monopolies ?
A. **tends to be inefficient.**
B. usually lowers the cost of production dramatically.
C. creates synergies between the newly acquired firm and other

government-owned companies.
D. does none of the things described in these answers

1527. If regulators break up a natural monopoly into many smaller firms, the cost of production ?
A. **will rise**
B. will fall
C. will remain the same
D. could either rise or fall depending on the elasticity of the monopolist’s supply curve

1528. If a marginal revenue exceeds marginal cost, a monopolists should?
A. **increase should**
B. decrease output
C. keep output the same because profits are maximized when marginal revenue exceeds marginal cost
D. raise the price

1529. In pure monopoly, what is the relation between the price and the marginal revenue ?
A. **the price is greater than the marginal revenue**
B. the price is less than the marginal revenue
C. there is no relation
D. they are equal

1530. Compared to the case of perfect competition, a monopolist is more likely to ?
A. charge a higher price
B. produce a lower quantity of the product
C. make a greater amount of economic profit
D. all of the above

1531. Which of the following best defines price discrimination ?
A. charging different prices on the basis of race
B. charging different prices for goods with different costs of production
C. charging different prices based on cost-of-service differences
D. selling a certain product of given quality and cost per unit at different prices to different buyers

1532. Money is ?
A. The value of all coins and currency in circulation at any time
B. Anything that is generally accepted as a medium of exchange
C. The same as income
D. All of the above

1533. An example of fiat money is ?

A. **Paper euros**
B. gold
C. Silver coins
D. cigarettes

1534. Which of the following statements about money is not true ?
A. A debit card is not really money because it is only a means of transferring money between accounts
B. All the wealth that people hold, in whatever form, should be considered as money
C. Wealth held in the current account you hold with your bank is almost as convenient for buying things as wealth held in your wallet so the wealth in current accounts should be included in measures of money
D. In a complex economy it is not easy to draw a clear dividing line between assets that should be considered as money and those that should not

1535. If the banks in an economy operate with a reserve ratio of 20 percent then the money multiplier is ?
A. 4
B. 20
C. 25
D. 5

1536. Reserve requirements that may be imposed on an economy's banks by its central bank specify that banks by its central bank specify that banks reserve must be a minimum percentage of them ?
A. assets
B. deposits
C. loans
D. government bonds

1537. The refinancing rate is ?
A. The interest rate at Which commercial banks lend to and borrow from each other
B. The interest rate the European Central Bank pays on reserves
C. The interest rates the public pays when borrowing from banks
D. The interest rates the European Central Bank charges on loans to banks
E. He interests rate banks pay on the public's deposits

1538. Suppose all banks maintain a 100 percent reserve ratio. If an individual deposits Rs 1,000 of currency in a bank ?
A. the money supply increases by more than Rs 1,000
B. the money supply increase by less than Rs 1,000

C. the money supply decrease by less than Rs 1,000
D. the money supply decrease by more than Rs 1,000
E. The money supply is unaffected

1539. Suppose the central bank purchases a government bond from a person who deposits the entire amount received from the sale in her bank the money supply will ?
A. **rise by an amount that depends on the bank's reserve ratio**
B. rise by less than the amount of the deposit
C. fall by exactly the amount of the deposit as long as the bank does not change its reserve ratio
D. fall by exactly the amount of the deposit as long as the bank does not change its reserve ratio
E. be unchanged

1540. Which one of the following is not true ?
A. The difference between the price at which commercial bank sells an asset to the central bank and the price it agrees to buy it back can be expressed as an annualized percentage of the selling price and this is called the refinancing rate
B. Commercial banks may borrow from and lend to each other and the interest rate at which they do this is called the refinancing rate
C. In the UK the refinancing rate is known as the repo rate and in the USA it is referred to as the discount rate.
D. If the central bank has bought some assets from a commercial bank with an agreement that the commercial bank will buy them back at a later date, then this would be called a repo
E. If the central bank raises its refinancing rate then the commercial banks will try to reduce their lending and so reduce the need to borrow from the central bank

1541. Money that a government has required has required to be accepted in settlement of debts is ?
A. barter money
B. currency value
C. legal tender
D. commodity money

1542. A checking deposit in a bank in considered __________ of that bank?
A. an asset
B. capital
C. net worth
D. a liability

1543. The difference between a bank’s actual reserves and its required reserves is its?
A. required reserve ratio
B. profit margin
C. excess reserves
D. net worth

1544. A bank has excess reserves to lend but is unable to find anyone to borrow the money This will __________ the size of the money multiplier?
A. **reduce**
B. have no effect on
C. increase
D. double

1545. If the quantity of money demanded exceeds the quantity of money supplied then the interest rate will ?
A. change in a certain direction
B. remain constant
C. fall
D. rise

1546. Which of the following events will lead to an increase in the demand for money ?
A. An increase in the interest rate
B. An increase in the level of aggregate output
C. A decrease in the price level
D. An increase in the supply of money

1547. The main reason that people hold money to buy things is referred to as the ?
A. Profit motive
B. Precautionary motive
C. Transactions motive
D. speculation motive

1548. The opportunity cost of holding money is determined by ?
A. the discount rates
B. the level of aggregate output
C. the interest rates
D. the inflation rates

1549. In terms of the demand for money the interest rate represents ?
A. the rate at which current consumption can be exchanged for future consumption
B. the price of borrowing money

C. The opportunity cost of holding money
D. the return on money that is saved for the future

1550. The chain of events that results from an expansionary monetary policy is ?
A. aggregate output increases the demand for money increase the interest rate increase planned investment
B. money supply increases the interest rate decrease planned investment increases aggregate output increases and money demand increase
C. money supply increases the interest rate increase planned investment increases aggregate output increases and money demand increases
D. money demand increases the interest rate decreases planned investment increases aggregate output increases and money demand increases

1551. An increase in the money supply aimed at increasing aggregate output is referred to as ?
A. contractionary fiscal policy
B. expansionary monetary policy
C. contractionary monetary policy
D. expansionary fiscal policy

1552. The interest rate ?
A. is determined in the goods market and influences the level of planned investment and thus the money market
B. is determined in the money market and influences the level of planned investment and thus the goods market
C. is determined in the goods market and has no influences on the money market
D. is determined in the money market and has no influence on the goods market

1553. For the Central bank to keep the interest rat unchanged as the government increase spending, the Central Bank must continue to ?
A. decrease the money supply
B. increase the money supply
C. increase the demand for money
D. decrease the demand for money

1554. According to the simple Keynesian view the aggregate supply curve is ?
A. downward sloping over all levels of output
B. upward sloping over all levels of output
C. horizontal until it reaches full capacity and then becomes

vertical
D. vertical until it reaches full capacity and then becomes horizontal

1555. If the central bank increases the money supply at the same time as the government increasing spending, it is suggested that investment will ?
A. Suffer even more
B. not be reduced as much as it would have been
C. be replaced by foreign investment
D. be replaced by consumer spending

1556. If planned investment becomes more sensitive to interest rate changes the crowding out effect will ?
A. be reduced
B. not be affected
C. fall to zero
D. be increased

1557. The curve that illustrates the negative relationship between the equilibrium values of aggregate output and the interest rate in the goods market is the ?
A. aggregate supply curve
B. LM curve
C. aggregate demand curve
D. IS curve

1558. When the money supply increase ?
A. the economy moves up the LM curve
B. The LM curves shifts to the left
C. The economy moves down the LM curve
D. The LM curve shift to the right

1559. Keynesians and monetarists differ over how steep the IS and LM curves actually are Monetarists claim that the IS curve must be __________ and the LM curve must be __________?
A. **flat; steep**
B. flat; flat
C. steep; flat
D. steep; steep

1560. The primary function of bank is to ?
A. Control the money supply
B. Provide notes and coins for trade
C. Make a profit
D. Provide a cheque clearing system

1561. The money supply is ?

A. State Bank of Pakistan Issue Department
B. Money + bank cards + credit cards
C. Cheques + money + bank cards + credit cards
D. Currency in circulation plus bank deposits

1562. Three variables affect the demand for money they are _______ and __________?
A. bank opening hours, the proportion of weekly paid employee's interest rates
B. the price level interest rates real income
C. The time of year bank opening hours the price level
D. The proportion of weekly paid employees the time of year real income

1563. When real income increases other things equal we can expect the demand for real money holdings to ?
A. fall
B. not change
C. increase
D. None of these

1564. The monetary base is ________ and _________?
A. bank deposits, building society deposits
B. Currency in circulation, banks cash reserves
C. retail sight deposits building society deposits
D. retail deposits, wholesale deposits

1565. Equilibrium in the Money market will change if there is ?
A. a change in the real money supply
B. a change in real income
C. a change in competition in the banking industry
D. any of the above

1566. One of the transmission mechanisms of monetary policy is through consumer demand when interest rates ________ household wealth ________ and consumption _________?
A. rise; increase, increase
B. rise, falls, increase
C. rise, increase, falls
D. rise, falls, falls

1567. A fall in investment demand can result from ?
A. higher interest rates
B. lower expected future profits
C. more expensive capital goods
D. All of the above

1568. Which of the following is not a function of money ?

A. **hedge against inflation**
B. Medium of exchange
C. unit of account
D. Store of value

1569. Commodity money ?
A. has no intrinsic value
B. has intrinsic value
C. is used exclusively in the economies of western Europe and north America
D. is used as reserves to back fiat money

1570. Bance Solida has, in the past, always operated with a reserve ratio of 25 percent. It has now been taken over by Gung-Ho Bank Which operates with a reserve ration of 12½ percent, Assuming that Banca Solida adopts the business practices of its new owner, What will be the effect on money supply in the country in which Banca Solida operates ?
A. **Money supply will increase because Banca Solida will increase its loans**
B. The effect on money supply cannot be determined from the information given
C. Money supply will decrease because the loans will have to be repaid
D. Money supply will be unchanged because the central bank has made no policy changes

1571. Suppose Imtiaz moves his Rs1,000 demand deposit from Bank A to Bank B. If both banks operate with a reserve ratio of 10 percent What is the potential change in money supply as a result of Gerard's action ?
A. Rs 10,00
B. Rs 1,000
C. Rs 9,000
D. Rs 0

1572. Which of the following policy actions by a central bank is likely to increase the money supply ?
A. Increasing the refinancing rate
B. All of these will increase the money supply
C. Buying government bonds in open market operations
D. Increasing reserve requirements

1573. Suppose the State Bank purchases a Rs 1,000 government bond from you. If you deposit the entire Rs 1,000 in you bank what is the

total potential change in the money supply as a result of the State Bank's action if the your bank's reserve ratio is 20 percent ?

A. Rs 4,000

B. Rs 5,000

C. Rs 1,000

D. Rs 0

1574. **The three main tools of monetary policy are ?**

A. fiat, commodity and deposit money

B. Open-market operations reserve requirements and the refinancing rate

C. The money supply, government purchases and taxation

D. Government expenditures taxation and reserve requirements

E. Coin, currency and demand deposits

1575. **If there is a general shortage of liquidity in the money market then ?**

A. The banks will increase their lending

B. The short-term interest rate at which the economy's commercial banks lend to and borrow from each other will fall and the central bank may be expected to reduce the supply of liquidity to the banks

C. The short-term interest rate at which the economy's commercial banks lend to and borrow from each other will rise and the long-term interest rate may be expected to rise as a result

D. the long-term interest rate in the economy will rise and the central bank will raise its interest rate in response

E. The short-term interest rate at which the economy's commercial banks lend to and borrow from each other will rise and the central bank may be expected to increase the supply of liquidity to the banks.

1576. **Government Securities with terms of more than one year are called ?**

A. bills of exchanges

B. government bonds

C. Treasury bills

D. Capital bills

1577. **An item designated as money that is intrinsically worthless is ?**

A. precious metals

B. commodity money

C. fiat money

D. barter items

1578. **Which of the following is included in broad money, but not included in narrow money ?**

A. **savings accounts**
B. Travelers checks
C. Currency held outside banks
D. Automatic-transfer savings accounts

1579. Which of the following activities is one of the responsibilities of the Bank of England to the banking system ?
A. **Assisting Banks that are in a difficult financial position**
B. Auditing the various agencies and department of the government
C. Loaning money to other countries that are friendly to the UK.
D. Issuing new bonds to finance the PSBR.

1580. As the required reserve ratio is decreased the money multiplier ?
A. decreases
B. remain the same, as long as banks hold no excess reserves
C. could either increase or decrease
D. increases

1581. Assume that commercial banks are holding excess reserves because business firms and consumers are not willing to borrow money A decrease in the discount rate is likely to ?
A. increase the money supply because it is now cheaper for banks to borrow from the central bank
B. decrease the money supply because it will now be more expensive for business firms and consumers to borrow money
C. Not change the money supply because banks already have excess reserves they cannot lend
D. Decrease the money supply because it is now cheaper for banks to borrow from the central bank instead instead of buying government securities

1582. When economies speak of the demand for money which of the following are they asking ?
A. How much cash do you wish you could have?
B. How much wealth would you like?
C. How much income would you like to earn?
D. What proportion of your financial assets do you want to hold in non-interest-bearing forms

1583. Which of the following events will lead to a decrease in the equilibrium interest rate ?
A. A sale of government securities by the central bank
B. An increase in the level of aggregate output
C. An increase in the discount rate
D. A decrease in the price level

1584. The motive for holding money that encourages investors to hold bonds when interest rates are low, with the hope of selling them when interest rates are high, is the ?
A. Transactions motive
B. precautionary motive
C. profit motive
D. speculation motive

1585. The demand for money represents the idea that there is ?
A. a positive relationship between the interest rate and the quantity of money demanded
B. a negative relationship between the price level and the quantity of money demanded
C. a negative relationship between the level of aggregate output and the quantity of money demanded
D. a negative relationship between the interest rate and the quantity of money demanded

1586. The equilibrium level of aggregate output is determined in ?
A. the goods and labor markets.
B. the goods market
C. the money markets
D. the money and labor market

1587. The interest rate is determined in ?
A. the money and labor markets
B. the goods and labor markets
C. the goods market
D. the money markets

1588. An example of an expansionary monetary policy is ?
A. a reduction in the taxes banks pay on their profits.
B. an increase in the required reserve ratio
C. an increase in the discount rate
D. the Central bank buying government securities in the open market

1589. If the investment demand curve is vertical ?
A. both monetary and fiscal policy are ineffective
B. monetary policy is effective but fiscal policy is ineffective
C. monetary policy is ineffective but fiscal policy is effective
D. both monetary and fiscal policy are effective

1590.

1591. If The Central bank tries to keep the interest rate constant when the economy is operating on the steep part of the AS curve, __________ will occur?

A. **a hyperinflation**
B. a depression
C. stagflation
D. a recession

1592. The idea the government spending causes a reduction in private investment is called ?
A. fiscal drag
B. investment blight
C. crowding-out
D. the Thatcher effects

1593. The way in which government spending is supposed to reduce investment is by increasing ?
A. incomes
B. overseas investment
C. imports
D. interest rates

1594. Each point on the IS curve represents the equilibrium point in the ?
A. **goods market for the given interest rate**
B. goods market for the given level of government spending
C. money market for the given level of the money supply
D. money market for the given value of aggregate output

1595. The curve that illustrates the positive relationship between the equilibrium values of aggregate output and the interest rate in the money market is the ?
A. money supply curve
B. LM curve
C. money demand curve
D. IS curve

1596. Each point on the LM curve represents the equilibrium point in the ?
A. money market for the given level of the money supply
B. money market for different combinations of interest rates and output
C. goods market for the given level of government spending
D. goods market for the given interest rate

1597. Money has 3 main function they are ___________ and ___________?
A. IOU , inflation hedge store of value
B. Medium of exchange inflation hedge store of value
C. Medium of exchange unit of account IOU
D. Medium of exchange unit of account store of value
E. Medium of exchange unit of account store of value

1598. Banks create money by ?

A. printing it
B. issuing debit cards
C. accepting cheques
D. lending out part of their deposits

1599. **If banks and the private sector decide to hold less cash the money multiplier will be ?**
A. Unchanged
B. Larger
C. Smaller
D. Unstable

1600. **If the keep some money available in case I see a bargain this is an example of ?**
A. asset demand for money
B. transactions demand for money
C. token demand for money
D. precautionary demand for money

1601. **When interest rate rise, other things equal, we can expect the quantity of real money holding to ?**
A. **fall**
B. increase
C. not change
D. None of these

1602. **M4 is a ___________ measure of money and includes deposits at both ___________ and __________?**
A. narrow, banks, building societies
B. wide, banks insurance companies
C. Narrow, banks insurance companies
D. Wide, banks building societies

1603. **If the central bank buys financial securities in the open market to increase the monetary base, this is and example of ?**
A. lender of less resort
B. financial intermediation
C. Open Market operations
D. Financial regulation

1604. **Central banks prefer to fix the ____ and accept the resulting ______?**
A. demand for money, interest rate
B. interest rate equilibrium money supply
C. demand for money equilibrium money supply
D. interest rate, demand for money

1605. A reduction in interest rates, causes an increases in the monetary base that results in an __________ in the availability of consumer credit and a _________ in the cost of consumer credit?
A. reduction, increase
B. reduction, reduction
C. increase, reduction
D. increase , increase

1606. Monetary policy effects the __________ and ___________?
A. reserve, unemployment
B. money supply, interest rate
C. taxes, exchange rate
D. stock price, minimum wage

1607. The Bank of England and the Federal Reserve ?
A. **are central banks**
B. are branches of commercial banks
C. use fiscal policy to influence GDP
D. loan money to most of LDC commercial banks

1608. If people with higher incomes pay a higher percentage of income in taxes, the income tax structure is ?
A. **progressive**
B. regressive
C. value added taxes (VAT)
D. excise taxes

1609. fiscal incentives to attract businesses from abroad include ?
I- tax holidays
II- accelerated depreciation
III- import duty relief
IV- lower tax rates for reinvested business profits

1610. I and II only
B. III and IV only
C. I, II and III only
D. I, II, III, and IV

1611. Inflation is measured by the ?
I- consumer price index (CPI)
II- GDP deflator
III- current account
IV- depreciation

1612. **I and II only**
B. I and III only
C. III and IV only
D. I, II and III

1613. **During Stagflation ?**
I- an increase in aggregate spending will eliminate the recession
II- a decrease in aggregate spending will reduce inflation
III- government faces contradictory goals
IV- the central bank decease money supply to reduce inflation

1614. I and II only
B. III and IV only
C. I ,II and III only
D. I , II , III, and IV

1615. **With _______ prices rise in the first sector, remain the same in the second and increase overall?**
A. **ratchet inflation**
B. inflationary expectations
C. import substitution
D. demand pull inflation

1616. **Demand pull inflation result from ?**
A. demand for government spending on public goods goes due to lack of financial backup through tax collection
B. consumer business and government demand for goods and services in excess of an economy’s capacity to produce
C. a shortage of demand for goods and services in excess of supply during depression
D. demand for public goods is greater than demand for consumer goods

1617. **By using fiscal policy, i (e) varying ______ and/or _____ governments achieve goals for output and employment growth as well as price stability?**
A. demand pull inflation tax elasticity
B. interest rates, financial liberalization
C. interest rates, tax rates
D. tax rates, government spending

1618. **_______ states that as real GNP per capita rises, people demand relatively more social goods and relatively fewer private goods?**
A. incomes policy
B. Moral hazard
C. Wagner’s law
D. Fiscal policy

1619. **The property tax wealth tax inheritance tax and income taxes such as persona and corporate taxes are ?**

A. indirect taxes
B. direct taxes
C. inelastic
D. value-added tax

1620. Which of the following is NOT true ?
A. Taxes on international trade are the major source of tax revenue for low-income countries with poor administrative capacity
B. import duties can restrict luxury goods consumption
C. several LDCs have used value-added taxes to raise a substantial fraction of revenues
D. Cascade tax a form of progressive tax, is dominant in DCs

1621. When the financial system lacks the capability of making judgement about investment opportunities due to asymmetric information leading to potentially bad credit risks lending is subject to ?
A. **adverse selection**
B. moral hazard
C. social goods
D. hyperinflation

1622. Central banks in LDCs generally have less effect on expenditure and output than in LDCs because of ?
I- an externally dependent banking system
II- a poorly developed securities market
III- a low percentage of demand deposits divided by the total money supply
IV- the relative insensitivity of investment and employment to monetary policies

1623. I and II only
B. III and IV only
C. I, II and III only
D. I, II , III and IV

1624. Which of the following are costs of inflation ?
I- inflation weakens the creation of credit and capital markets
II- inflation distorts business behavior especially investment behavior
III- inflation increase the price of foreign goods relative to domestic goods
IV- Inflation imposes a tax on the holders of money

1625. I and II only
B. III and IV only
C. I, II and IV only
D. I, II and III only

1626. Under financial repression ?

I- banks engage in non-price rationing of loans
II- banks face pressure for loans to those with political connections
III- banks charge a high premium on foreign investments
IV- banks depend on foreign banks to set interest rates

1627. I and II only

B. III and IV only
C. I, II and III only
D. I, II , III and IV

1628. If two countries A and B are member of a currency union and there is a shift in consumer preferences away from the goods of country A and towards those of country B than which one of the following would help to offset the effect of the resulting changes in aggregate demand in A and B on inflation and unemployment in the tow countries ?

A. **A high degree of labour mobility between the tow countries**
B. An increase in government spending in country (A)
C. A depreciation in the foreign exchange value of the common currency
D. A low degree of capital mobility between the two countries

1629. A high degree of real wage flexibility will tend to reduce the cost to a country of joining a currency union because ?

A. All of the reasons given in these answers are correct
B. real wages fall rapidly in a recession and the economy moves quickly back to long run equilibrium so limiting the duration of the recession even when exchange rate adjustment is not possible
C. workers will move from a country in which aggregate demand falls to other countries of the currency union, and so unemployment remains lower than it otherwise would
D. real wages fall and so offset the inflationary effect of switching from the old currency to the new common currency

1630. How does the eurozone compare with USA as a possible optimal currency area (OCA) ?

A. The eurozone has a higher degree of labour mobility than the USA and labour law is much less restrictive in the erozone than in the USA On these measures the eurozone is more likely to be an OCA than is the USA
B. The eurozone has a lower degree of labour mobility than the USA and labour law is much more restrictive in the erozone than in the USA On these measures the eurozone is less likely to be an OCA than is the USA

C. The eurozone has a higher degree of labour mobility than the USA but labour law is much more restrictive in the erozone than in the USA On these measures it is hard to judge whether the eurozone is more or less likely to be an OCA than is the USA
D. The eurozone has a lower degree of labour mobility than the USA and labour law is much less restrictive in the erozone than in the USA On these measures it is hard to judge whether the eurozone is more or less likely to be an OCA than is the USA

1631. To try to overcome the free rider problem, the members of EMU signed ?
A. **the stability and growth pack**
B. the European solidarity packs
C. the exchange rate mechanism pact
D. the responsibility and growth pack

1632. Which one of the following is not an argument in support of the UK joining the EMU ?
A. None of these arguments they are all arguments in support of the UK joining the UMU
B. The characteristics of the UK housing market make UK consumers expenditure very sensitive to changes in interest rates
C. The UK risks exclusion from the Euroland capital market with damaging consequences with damaging
D. The UK needs to be a member of the EMU in order to continue to attract such large share of foreign direct investment in EU countries

1633. Which of the following could not be described as an asymmetric macroeconomic shock ?
A. None of these answers All of them are asymmetric macroeconomic shocks
B. A sudden and substantial fall in the worldwide demand for French wine
C. An epidemic of an animal disease in a country that significantly reduces the country's agricultural output
D. A sudden and substantial rise in prices on the world oil market

1634. Which one of the following is not a characteristic that reduces the cost of a signals currency ?
A. A high degree of labour mobility among the countries of the common currency area
B. A high degree of capital mobility among the countries of the common currency area
C. None of the characteristics described in these answers They are all characteristics that reduce the cost of a single currency

D. A high degree of trade integration among the countries of the common currency area

1635. **What is fiscal federalism ?**

A. A fiscal system for a group of countries in which fiscal policy is set in a treaty signed by all the countries
B. A fiscal system for a group of countries in which government budget deficits are strictly limited
C. A fiscal system for a group of countries involving a common fiscal budget and a system of taxes and fiscal transfers across countries
D. A fiscal system in which fiscal policy is jointly determined by local and national politicians

1636. **Which of the following is a problem for fiscal policy in a currency union ?**

A. The central bank controls interest rates on long-term bonds issued by the governments of the member countries of the currency union
B. Government of the member countries of the currency union may run large budget deficit and so crowd out private investment
C. government of the member countries of the currency union may run large budget deficits and so impose costs on other countries by pushing up interest rates on the bonds these countries governments issue
D. It is difficult to raise enough tax revenue to pay for the operation of the currency union

1637. **Which of the following is a problem for monetary policy in a currency union ?**

A. Money supply is more difficult to control in a currency union.
B. The inflation-unemployment trade-off is more unstable in a currency union
C. All of these answers describe problems for monetary policy in a currency union
D. The interest rate may be higher than is appropriate for economic conditions in some countries while it's lower than is appropriate in some others monetary policy must be one size fits all

1638. **If an economy is productively efficient ?**

A. Everyone is wealthy
B. Resources are unemployed
C. More of one product can only be produced if less of another

product is produced
D. The distribution of income is eqal

1639. **As resources are shifted from one industry to another this can be shown by ?**
A. An inward shift of the production possibility frontier
B. A movement along the production possibility frontier
C. An outward shift of the production possibility frontier
D. The pivoting of the production possibility frontier

1640. **If an economy moves from producing 10 units of A and 4 units of B to producing 7 As and 5Bs The opportunity cost of the 5th B is ?**
A. 7As
B. 10As
C. 3As
D. 1A

1641. **The resources in the economy do not include ?**
A. **Demand**
B. Land
C. Labour
D. Capital

1642. **Any combination of products inside the production possibility frontier is ?**
A. Allocatively inefficient
B. X inefficient
C. Consumer inefficient
D. Productively inefficient

1643. **Which of the following is true ?**
A. If the marginal cost is greater than the average cost the average cost falls
B. If the marginal cost is greater than the average cost the average cost increase
C. If the marginal cost is positive total costs are miximised
D. If the marginal cost is negative total costs increase at a decreasing rate if output increases

1644. **According the law of diminishing returns ?**
A. **The marginal product fall as more units of a variable factor are added to a fixed factor**
B. Marginal utility falls as more unity of a product are consumed
C. The total product falls as more units of a variable factor are added to a fixed factor
D. The marginal product increases as more units of a variable factor are added to a fixed factor

1645. When internal economies of scale occur ?
A. Total costs fall
B. Marginal costs increase
C. Average costs fall
D. Revenue falls

1646. The average variable cost curve ?
A. is derived from the average fixed costs
B. Converges with the average cost as output increases
C. Equals the total costs divided by the output
D. Equals revenue minus profits

1647. Total increases from Rs500 to Rs600 when output increases from 20 to 30 units. Fixed costs are Rs200 Which of the following is true ?
A. Marginal cost is Rs20
B. Average cost falls
C. Variable cost rises by Rs100
D. Average fixed cost is Rs10

1648. If marginal product is below average product ?
A. The total product will fall
B. The average product will fall
C. Average variable cost will fall
D. Total revenue will fall

1649. If the price is less than the average costs but higher than the average variable costs ?
A. The firm is making a loss and will shutdown in the short term
B. The firm is making a profile
C. The firm is making a loss but will continue to produce in the short term
D. The firm is making a loss and is making a negative contribution to fixed costs

1650. In the long term a firm will produce provided the revenue covers ?
A. Fixed costs
B. Variable costs
C. Total costs
D. Revenue

1651. The profit per sale is a measure of ?
A. Profit
B. Profitability
C. Feasibility
D. Realism

1652. Total revenue equals ?

A. Price plus quantity
B. Price multiplier by quantity sold
C. Price divided by the quantity sold
D. Price minus quantity sold

1653. Price equals ?
A. Total revenue – quantity
B. Total revenue / quantity sold
C. Total quantity sold quantity sold
D. Total revenue / total cost

1654. Which best describes price discrimination ?
A. Charging different prices for different products
B. Charging the same prices for different products
C. Charging the same prices for same products
D. Charging different prices for the same products

1655. If the price elasticity of demand for a product in market A is -0.2 and in market B is -3 a price discriminator will charge ?
A. The higher price in market A
B. The higher price in market B
C. The same Price in both markets
D. Cannot tell which price will be higher

1656. A benefit to consumers of price discrimination is that ?
A. Some products are produced that would not otherwise be produced
B. Producer surplus increases
C. Consumer surplus decreases
D. Firm's profits increase

1657. In Price discrimination abnormal profits are made if ?
A. Average revenue is greater than average variable cost
B. Average revenue is greater than average cost
C. Average revenue is greater than marginal revenue
D. Average revenue is greater than average fixed cost

1658. If the price elasticity is -0.3 this means ?
A. **Demand is upward sloping**
B. Demand is price elastic
C. A price fall would increase revenue
D. Demand is price inelastic

1659. To maximise growth without making a loss a firm should produce the highest output where ?
A. Average revenue equals marginal cost
B. Average revenue equals average cost

C. Marginal revenue equals marginal cost
D. Average cost equals marginal cost

1660. When marginal revenue equals marginal cost ?
A. Total revenue equals total cost
B. There is the biggest positive difference between total revenue and total cost
C. There is the biggest negative difference between total revenue and total cost
D. Profits are Zero

1661. To be Productively efficient a firm must produce where ?
A. **Marginal costs are maximized**
B. Marginal costs are Minimized
C. Average costs are minimized
D. Average costs are maximized

1662. If the marginal revenue is Positive ?
A. Selling another unit will increase total revenue
B. Selling another unit will increase profits
C. Selling another unit will increase costs
D. Selling another unit will increase average revenue

1663. An independent assessment of the impact of firm's activities on society is called a ?
A. **Financial audit**
B. Balance sheet
C. Profit and loss account
D. Social audit

1664. Injections ?
A. Decrease aggregate demand
B. Always equal savings
C. Always equal national income
D. include investment and export spending

1665. A significant increase in the government budget deficit is likely to ?
A. Reduce injections into the economy
B. Reduce national income
C. Move the economy away from full employment
D. Boost aggregate demand

1666. Injections are?
A. Assumed to be exogenous
B. Assumed to be a function of national income
C. Decrease aggregate demand
D. Decrease the investment into an economy

1667. A deflationary policy could include ?

A. increasing injections
B. Reducing taxation rates
C. Reducing interest rates
D. Reducing government spending

1668. Which of the following is an injection into the economy ?
A. Investment
B. Savings
C. Taxation
D. Imports spending

1669. In a boom ?
A. **Unemployment is likely to fall**
B. Prices are likely to fall
C. Demand is likely to fall
D. Imports are likely to grow

1670. If labour productivity per week is 200 units and there are 5 employees what is the total output ?
A. **40 units**
B. 195 units
C. 1000 units
D. 200 units

1671. Potential growth measures ?
A. **the growth of the fastest economy in the world**
B. The fastest growth an economy has ever achieved
C. The present rate of growth of an economy
D. The rate of growth that could be achieved if resources were fully employed

1672. The socially optimal rate of growth is ?
A. Zero
B. Negative
C. Where the marginal social benefit = the marginal social cost
D. Total social costs are minimised

1673. To anticipate what the economy is going to do next the government will look at ?
A. Lagging indicators
B. Flashing indicator
C. Coincidental indicators
D. Leading indicators

1674. If the marginal propensity to consume on domestic products is 0.9 the size of the multiplier is ?
A. 10
B. 1

C. 9
D. 0.1

1675. If the Keynesian consumption function is C = 10 + 0.8 Td when disposable income is Rs1000 total consumption is what ?
A. **0.8**
B. 800
C. 810
D. 0.81

1676. If the Keynesian consumption function is C = 10 + 0.8 Td when disposable income is Rs1000 the average propensity to consume is what ?
A. 0.8
B. 800
C. 810
D. 0.81

1677. An increase in consumption at any given level of income is likely to lead to ?
A. A fall is savings
B. An increase in exports
C. A fall in taxation revenue
D. A decrease in import spending

1678. Friedman's theory of consumption focuses on ?
A. Past income
B. Current income
C. Disposable income
D. permanent income

1679. An increase in investment is most likely to be caused by ?
A. Lower interest rates
B. Lower national income
C. A decrease in the marginal propensity to consume
D. An increase in withdrawals

1680. An increase in interest rates ?
A. Is likely to reduce savings
B. Is likely to reduce the external value of the currency
C. Leads to a shift in the MEC schedule
D. Leads to a movement along the MEC schedule

1681. Investment depends mainly on ?
A. Past levels of income
B. Future expected profits
C. Present national income levels
D. Historic data

1682. Investment is ?
A. An injection that increases aggregate demand
B. A withdrawal that increase aggregate demand
C. An injection that decreases aggregate demand
D. A withdrawal that decrease aggregate

1683. If an increase in investment leads to a bigger increase in national income this called the ?
A. Accelerator
B. Aggregate demand
C. Monetarism
D. Multiplier

1684. The precautionary demand for money is ?
A. **An idle because**
B. An active balance
C. Directly related to interest rates
D. Inversely related to income

1685. A fall in interest rates is likely to ?
A. **Increase aggregate demand**
B. Increase savings
C. Decrease consumption
D. Decrease exports

1686. A reduction in the money supply is likely to ?
A. Reduce the interest rate
B. Increase the interest rate
C. Increase inflation
D. Decrease deflation

1687. The speculative demand for money occurs when ?
A. Individuals hold money just in case an emergency happens
B. Individuals hold money to buy things
C. Individuals hold money rather than other assets because they are worried about the price of the other assets falling
D. Individuals hold money to shop

1688. Open Market Operations occur when the government ?
A. Reduces the interest rate
B. Buys and sells bonds and securities
C. Increases taxation
D. Increase the exchange rate

1689. A variable whose value is determined by the model of which it is a part is termed ?
A. exogenous
B. constant

C. endogenous
D. independent

1690. The fraction of change in income that is consumed or spend is called ?
A. the marginal propensity of expenditure
B. the marginal propensity to save
C. the average propensity to consume
D. the marginal propensity to consume

1691. Keynes suggested that decisions to consume and save were based on ?
A. previous decisions
B. absolute income
C. relative income
D. permanent income

1692. As the MPS increases the multiplier will ?
A. **decrease**
B. remain constant
C. increase
D. either increase or decrease depending on the size of the change in investment

1693. The marginal propensity to withdraw is ?
A. 1/investment multiplier
B. 1-(1/injections multiplier
C. MPS + MPT + MPM
D. the proportion of national income that is withdraw from the circular flow of income

1694. The ratio of change in the equilibrium level of output to a change in some autonomous variable is the ?
A. automatic stabiliser
B. multiplier
C. elasticity coefficient
D. marginal propensity of the autonomous variable

1695. Assuming there is no government or foreign sector, if the multiplier is 2.5 the MPC is ?
A. 4
B. 25
C. 6
D. 2.5

1696. Assume there is no government or foreign setor, If the MPC is 75 a Rs20 million decrease in planned investment will cause aggregate output to decrease by ?

A. **Rs80 million**
B. Rs20 million
C. Rs 15 million
D. Rs26.67 million

1697. If injections are less than withdrawals at the full-employment level of national income, there is ?
A. an inflationary gap
B. hysteresis
C. A deflationary gap
D. hyperinflation

1698. In Which of the business cycle do firms try to cut stocks in order to save costs ?
A. The upturn
B. The peeking out
C. The expansion
D. The recession

1699. Which of the following would be considered a supply-side policy ?
A. An increase in the minimum wage that would cause consumer spending to increase
B. Investment tax credits for businesses to encourage investment
C. Restrictions placed on the amount that can be imported
D. An increased in government spending that would lead to increased aggregate demand

1700. According to supply side economists as tax rates are reduced labour supply should increase. This implies that ?
A. There is no income effect when tax rates are changed
B. The income effect of a wage change is greater than the substitution effect of a wage change.
C. There is no substitution effect when tax rates are changed
D. The substitution effect of a wage change is greater than the income effect of a wage change

1701. Reaganomics was a radical shift in Policy aimed at direct tackling ?
A. The charities economy
B. The demand side of the country
C. The underground economy
D. the supply side of the economy

1702. Privatisation is the transfer out ?
A. Publicly held stock to private individuals
B. corporately owned businesses to individuals
C. government businesses to the private sector
D. Privately owned business to the government sector

1703. Which of the following statements supports deregulation of industries ?
A. Technological change has made it possible for many industries to become more competitive
B. Because few real natural monopolies exist there is rarely a reason for government regulation
C. Many instances of government regulation have succeeded in reducing competition in industries where competition may be beneficial
D. All of the above

1704. A way of helping depressed regions by having wage subsidies lower business taxes and capital subsidies has been suggested as ?
A. New classical economists
B. left-wing theorists
C. interventionist policies
D. monetarists

1705. Economic growth can be shown by ?
A. An inward shift of the production possibility frontier
B. A movement along the production possibility frontier
C. An outward shift of the production possibility frontier
D. A decision by the government to produce inside the production possibility frontier

1706. In a free market the combination of products produced will be determined by ?
A. **Market forces of supply and demand**
B. The government
C. The law
D. The public Sector

1707. An economy may operate outside the production possibility Frontier if ?
A. It is not utilizing its resources fully
B. It is being productively efficient
C. It is a mixed economy
D. It is trading other economies

1708. The resources in an economy are ?
A. Constantly increasing
B. Fixed at any moment
C. Constantly decreasing
D. Able to be transferred easily between industries

1709. An outward shift of the production possibility frontier may be caused by ?

A. An increase in demand
B. More government spending
C. Better training of employees
D. Productive inefficiency

1710. The law of diminishing returns assumes ?
A. There are no fixed factors of production
B. There are no variable factors of production
C. Utility is maximised when marginal product falls
D. Some factors of production are fixed

1711. The first level of output at which the long run average cost are minimized is called ?
A. **The Minimum Efficient Scale**
B. The Minimum External Scale
C. The Maximum External Scale
D. The Maximum Effective Scale

1712. If marginal cost is positive and falling ?
A. Total cost is falling
B. Total cost is increasing at a falling rate
C. Total cost is falling at a falling rate
D. Total cost is increasing at an increasing rate

1713. Total increase from Rs500 to Rs600 When output increases from 20 to 30 units Fixed costs are Rs200 Which of the following is true ?
A. Marginal cost is Rs20
B. Average cost rises
C. Variable cost rises by Rs200
D. Average fixed cost was Rs10originally

1714. If the marginal revenue is less than the marginal cost then to profit maximise a firm should ?
A. **Reduce output**
B. Increase output
C. Leave output where it is:
D. Increase costs

1715. If firms earn normal profits ?
A. They will aim to leave the industry
B. Other firms will join the industry
C. The revenue equal total costs
D. No profit is made is accounting terms

1716. In the short term a firm will produce provided the revenue ?
A. covers fixed costs
B. covers variable costs

C. covers total costs
D. covers revenue

1717. The total costs are Rs2000 and 10 units are produced. The marginal cost of an 11th unit is Rs1300 Which of the following is true ?
A. The average cost increase from Rs20 to Rs30
B. The total costs for 11 units are Rs700
C. The average cost for 10 units is Rs1300
D. The average cost for 11 units is Rs1300

1718. If marginal revenue equals marginal cost ?
A. No profit is being made
B. Total revenue equals total cost
C. Profits are maximised
D. Producing another unit would increase profits

1719. Barriers to entry ?
A. Do not exist in monopoly
B. Cannot exist in oligopoly
C. Do not exist in monopolistic competition
D. Do exist in perfect competition

1720. For a firm operating in two markets and price discriminating the profit maximising condition is ?
A. Marginal revenue in A= Price B
B. Marginal revenue in A = Marginal revenue B = Price A = Price B
C. Marginal revenue in A = Marginal revenue B = Marginal cost
D. Marginal revenue in A = Marginal revenue B = Average cost

1721. In perfect price discrimination ?
A. Consumer surplus is maximised
B. produce surplus is zero
C. Community surplus is maximised
D. Consumer surplus is zero

1722. In perfect price discrimination ?
A. The demand curve is the marginal cost curve
B. The average revenue equals the average cost
C. The marginal cost is the average cost curve
D. The demand curve is the marginal revenue

1723. Barriers to entry ?
A. Enable abnormal profits to be made in the long run
B. Enable losses to be made in the long run
C. Enable abnormal profits to be made in the short run only
D. Occur in perfect competition

1724. To maximise sales revenue a firm should produce where ?

A. Marginal cost is zero
B. Marginal revenue is maximised
C. Marginal revenue is zero
D. Marginal revenue equals marginal cost

1725. Profit is measured by ?
A. Revenue – fixed costs
B. Fixed cost + revenue
C. Revenue – sales
D. Revenue – total costs

1726. To be allocatively efficient a firm must produce where ?
A. The total cost equals demand
B. The average revenue equals the marginal revenue
C. The price equals the average cost
D. The price equals the marginal cost

1727. Normal profit occurs when ?
A. **Average revenue equals average variable cost**
B. Marginal revenue equals marginal cost
C. Average revenue equals marginal cost
D. Average revenue equals average cost

1728. Companies in the private sector are owned by ?
A. The government
B. Shareholders
C. Employees
D. The community

1729. An increase in national income is ?
A. **Likely in increase exports**
B. Likely to decrease savings
C. Likely to decrease investment
D. Likely to increase spending on imports

1730. An increase in national income is likely to ?
A. **Decrease tax receipts**
B. Worsen the balance of trade
C. Automatically cause an increase in government spending
D. causes an increase in injections into the economy

1731. If injections are greater than withdrawals ?
A. **National income will increase**
B. National income will decrease
C. National income will stay in equilibrium
D. Price will fall

1732. For equilibrium in an open four sector economy ?

A. **Actual injections = actual withdrawals**
B. Planned injections = planned withdrawals
C. Savings = investment
D. Government spending = tax revenue

1733. A reflationary policy ?
A. increase injections
B. Reducing taxation rates
C. Reducing interest rates
D. Reducing government spending

1734. Economic growth can be measured by ?
A. **The CPI**
B. The CBI
C. GDP
D. MPC

1735. In a recession, GDP ?
A. Grows negatively
B. Grows slowly
C. Grows by 0%
D. Grows rapidly

1736. Labour Productivity measures ?
A. The output per worker
B. The output per machine
C. Total output
D. Marginal output

1737. Economic growth can be seen by an outward shift of ?
A. The Production Possibility Frontier
B. The Gross Domestic Barrier
C. The Marginal Consumption Frontier
D. The Minimum Efficient Scale

1738. If the Keynesian consumption function is C = 10 + 0.8 Td when disposable income is Rs1000 the marginal propensity to consume is what ?
A. 0.8
B. 800
C. 810
D. 0.81

1739. When an economy first begins to grow more slowly ?
A. GDP increase
B. Inflation is likely to increase
C. Stock levels are likely to increase
D. Investment in equipment is likely to increase

1740. An increase in the marginal propensity to consume will ?
A. increase the size of the multiplier
B. Increase the marginal propensity to save
C. Decrease national income
D. Reduce injections into the economy

1741. As income increase ?
A. The average propensity to consume gets nearer in value of the marginal propensity to consume
B. The average propensity to consume diverges in value from the marginal propensity to consume
C. The average propensity to consume falls
D. The average propensity to consume always approaches 0

1742. Lower interest rates are likely to ?
A. Decrease consumption
B. increase cost of borrowing
C. Encourage saving
D. Increase spending

1743. The marginal propensity to consume is equal to ?
A. **Total spending / total consumption**
B. Total consumption / total income
C. change in consumption / change in income
D. Change in consumption / change in savings

1744. An outward shift in the Marginal Efficiency of Capital should ?
A. Decrease consumption
B. Increase aggregate demand
C. Reduce aggregate supply
D. Slow economic growth

1745. The accelerator assumes ?
A. The marginal propensity to consume is constant
B. The economy is at full employment
C. There is a constant relationship between net investment and the rate of change of output
D. The multiplier is constant

1746. A profit maximising firm will invest up to the level of investment where ?
A. The cost of borrowing equals the marginal efficiency of capital
B. The cost of borrowing is greater than the marginal efficiency of capital
C. The cost of borrowing is less then the marginal efficiency of capital
D. The cost of borrowing equals the marginal propensity to consume

1747. Investment is a unstable element of aggregate demand because it depends heavily on ?
A. **Government policy**
B. Expectations
C. National income
D. Historic trends

1748. The difference between goes investment and net investment is ?
A. Depreciation
B. Acceleration
C. Declaration
D. Capital investment

1749. 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 in the interest rate
D. Means that an increases in the money supply leads to an increases in the interest rate

1750. According to the quantity theory of money an increase in the money supply is most likely to lead to inflation if ?
A. The velocity of circulation decrease
B. The number of transaction decrease
C. There is deflation
D. The velocity of circulation and the number of transactions is constant

1751. 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

1752. An outward shift in the demand for money other things being equals should lead to ?
A. A lower interest rate but the same quantity of money
B. A higher interest rate but the same quantity of money
C. A higher quantity of money but lower interest rates
D. A higher quantity of money but the same interest rate

1753. The total quantity of goods and services produced (or supplied) in an economy in a given period is ?
A. aggregate investment
B. aggregate expenditure

C. aggregate demand
D. aggregate output

1754. In the equation C = a + bY, which describes the aggregate consumption function 'b' stands for ?
A. **The marginal propensity to consume.**
B. The amount of income when consumption is zero
C. The average consumption level
D. The amount of consumption when income is zero

1755. Disposable income is the part of households income left after the deduction of ?
A. income tax and social security payments
B. taxes and the addition of benefits
C. income tax
D. contractual payments such as pensions and mortgages

1756. The marginal propensity to save (MPS) is ?
A. the average amount of income that is saved
B. the fraction of a change in income that is saved
C. the ratio of saving to income
D. the ratio of income to saving

1757. The proportion of an increase in national income paid in tax is ?
A. the fiscal stance
B. the tax multiplier
C. the marginal tax propensity
D. the average tax propensity

1758. In macroeconomics, equilibrium is defined as that point at which ?
A. aggregate output equals consumption minus investment
B. saving equals consumption
C. Planned aggregate expenditure equals aggregate output
D. planned aggregate expenditure equals consumption

1759. Assuming there is no government or foreign sector, if the MPC is 8 the multiplier is ?
A. **5**
B. 8
C. 2
D. 1.25

1760. Assuming there is no government or foreign sector the formula for the multiplier is ?
A. **1/MPS**
B. 1/(1+ MPC)
C. 1 – MPC
D. 1/MPC

1761. According to the paradox of thrift increased efforts to save will cause ?
A. an increase in income and an increase in overall saving
B. a decrease in income and an overall decrease in saving
C. a decrease in income but an increase in saving
D. an increase in income but no overall change in saving

1762. The accelerator theory of investment says that induced investment is determined by ?
A. the level of national income
B. the level of aggregate demand
C. the rate of change of national income
D. expectations

1763. A group of economists argue that the real problem with the economy is high rates of taxation and heavy regulation that reduce the incentives to work save and invest these economists are ?
A. **supply side economists**
B. neo-Keynesian economists
C. rational -expectations economists
D. New classical economists

1764. According to supply-side economists if taxes are cut so that people have an increased incentive to work and businesses have an increased incentive to invest ?
A. **aggregate supply will increase , aggregate demand will decrease**
B. aggregate supply will increase, aggregate output will increase and the price level will decrease
C. aggregate supply will increase aggregate output will increase and the price level will increase
D. both aggregate supply and demand will increase and the price level will increase

1765. According to the Laffer curve as tax rates increase tax revenue ?
A. **initially increase and then decrease**
B. decrease continuously
C. rise continuously
D. initially decrease and then increase

1766. New classical economists advocate reducing welfare payments to people who are unemployed or single parents. The economic reasoning uses was that this would ?
A. reduce poverty
B. reduce unemployment

C. weaken the power of trade unions
D. help small businesses

1767. The PFI aims to deliver public projects and services using ?
A. Public borrowing
B. The private sector
C. time and motion studies
D. foreign labour

1768. A way of helping depressed regions by having lower wages, lower local taxes and lower unemployment benefit has been suggested as ?
A. **market orientated economists**
B. left-wing theorists
C. Keynesian
D. New-Keynesian

1769. If PX > MCX, society gains by ?
A. raising the price of X.
B. production less X
C. Producing more X
D. Increasing the cost of producing X

1770. The total cost to society of producing an additional unit of a good or service is the ?
A. marginal damage cost
B. marginal social cost
C. marginal private cost
D. marginal external cost

1771. When you consume good Q, not only do you benefit form consuming the good but other people benefit from your consumption as well, if firms produce good Q where P = MC, firms will be producing ?
A. **less than the efficient level of output**
B. more than the efficient level of output
C. so that consumer surplus is zero
D. the efficient level of output

1772. The government increase the minimum wage. The National Association of Fast Food Restaurants hires you to determine the impact that this higher minimum wage will have on it industry. This is an example of ?
A. industry equilibrium analysis
B. specific equilibrium analysis
C. partial equilibrium analysis
D. general equilibrium analysis

1773. The conclusion that free, unregulated markets will produce an efficient outcome breaks down if ?
A. households do not have perfect information
B. firms are not price takers in input markets
C. firms are not price takers in the output market
D. all of the above

1774. Private goods are ?
A. non-rival in consumption and their benefits are nonexcludable:
B. rival in consumption and their benefits are excludable
C. rival in consumption and their benefits are non-excludable
D. non-rival in consumption and their benefits excludable

1775. An example of public good is ?
A. a beautifully landscaped lawn.
B. preservation of wetlands
C. a public utility.
D. a book

1776. If one person's enjoyment of the benefits of a good does not interfere with another's consumption of it, the good is said to be ?
A. limitless in utility
B. non-rival in consumption
C. congestible in consumption
D. non-excludable

1777. If a large number of individuals are affected by an external benefit, private bargaining will not work because of ?
A. non-rivalry
B. the free-rider problem
C. the Coase theorem
D. the fallacy of composition

1778. The idea that when externalities are present private parties can arrive at the efficient solution without government intervention under certain circumstance is known as ?
A. **The coase theorem**
B. Arrow's impossibility theorem
C. the drop -in-the bucket problem.
the free rider problem

1779. Markets fail to produce an efficient allocation of resources, but government also fail because ?
A. elected officials will act selflessly for the good of society and ignore their own self interest
B. the managers of government agencies are trying to maximize the profit of their agency and they ignore the implications that this has on

other departments
C. the optimal level of public goods may be too expensive for the society to produce
D. the measurement of social damages and benefits is difficult and imprecise

1780. If some gain and some lose as the result of a proposed change and it can be demonstrated that the value of the gains would exceed the value of the losses then the change is said to be ?
A. technically efficient.
B. inefficient.
C. potentially efficient
D. unequivocally Pareto optimal

1781. A person will continue to pursue an activity up to the point where ?
A. Marginal benefit equals marginal damage cost
B. marginal benefits equals marginal social cost
C. marginal benefit equals marginal private cost
D. marginal social cost equals marginal external cost

1782. Externalities are a problem only if ?
A. **decision makers do not take them into account**
B. all firms are perfectly competitive
C. the externalities are negative
D. all firms are monopolistic

1783. The statement everything affects everything else reflects the principle behind ?
A. efficiency analysis
B. partial equilibrium analysis
C. general equilibrium analysis
D. equity analysis

1784. imperfect competition occurs ?
A. **When firms are not profit maximisers**
B. When firms have some control over price and competition
C. When the consumption of the good involves an external benefit
D. Whenever firms are losing money.

1785. The whole class of goods that will be under produced or not produced at all in a completely unregulated market economy are referred to as ?
A. Pareto goods
B. public goods
C. private goods
D. free goods

1786. The optimal level of provision of public goods is where society total willingness to pay per unit is equal to the ?
A. variable cost of producing the good
B. average cost of producing the good
C. marginal cost of producing the good
D. total cost of producing the good

1787. The Coase theorem states that ?
A. public goods should be produced up to the point where the additional benefit received by society equals the additional cost of producing the good
B. under certain conditions, private parties can arrive at the efficient solution without government involvement
C. the private sector will fail to produce the efficient amount of a public good because of the free-rider problem.
D. if there are external costs in production the government must intervene in the market to assure that the efficient level of output is produced

1788. Which of the following information forms available to the marketing manager can usually be accessed more quickly and cheaply than other information sources ?
A. Marketing intelligence
B. Marketing research
C. Customer profiles
D. Internal databases

1789. Coginitive dissonance occurs in which stage of the buyer decision process model ?
A. Need recognition
B. Information search
C. Evaluation of alternative
D. Postpurchase behaviour

1790. The biggest of greatest amount of involvement in a foreign market comes through which of the following ?
A. Exporting
B. Joint venturing
C. Licensing
D. Direct investment

1791. Setting call objectives is done during which of the following stages of the selling process?
A. Prospecting
B. Preapproach

C. Approach
D. Handling objections

1792. In determining salesforce size, when a company groups accounts into different size classes and then determines the number of salespeople needed to call on them the desired number of times it is called the ?
A. Key-size approach
B. work-load appraoch
C. product-need appraoch
D. call-service appraoch

1793. All of the following would be ways to segment within the category of psychographic segmentation EXCEPT ?
A. social class
B. occupation
C. lifestyle
D. personality

1794. __________ describes changes in an individual's behavior arising from experience?
A. Modeling
B. Motivation
C. Perception
D. Learning

1795. The internet evolved from a network created by _________ during the 1960s?
A. the Commerce Department
B. the Massachusetts institutes of Technology (MIT)
C. Northwestern University
D. the Defense Department

1796. A child in the United States is normally exposed to all of the following values EXCEPT ?
A. achievement ans success
B. activity and involvement
C. material comfort
D. collectivism

1797. Sellers that handle their own exports are engaged in ?
A. **direct exporting**
B. indirect exporting
C. licensing
D. contract manufacturing

1798. ______ includes practices such as overstating the product's features or performance luring the customer to the store for a bargain that is out of stock, or running rigged contests ?
A. **Deceptive promotion**
B. Deceptive packaging
C. Deceptive pricing
D. Deceptive cost structure

1799. The typical method of retail operation used by supermarkets and catalog showrooms is called ?
A. **self-service retailing**
B. limited-service retailing
C. full-service retailing
D. service merchandiser

1800. The total number of item that the company carries within its product lines refers to the ________ of the product mix?
A. width
B. depth
C. length
D. consistency

1801. The use of price points for reference to different levels of quality for a company's related products is typical of which product mix pricing strategy ?

A. Optional-product pricing
B. Captive-product pricing
C. By-product pricing
D. Product line pricing

1802. Using a successful brand name to introduce additional items in a given product category under the same brand same (such as new flavors, forms, colors, added ingredients or package seizes) is called a(n)?
A. **line extension**
B. brand extension
C. multibranding
D. new brands

1803. _______ is quoted as saying that everyone lives by selling something?
A. Bill Gates
B. Robert Louis Stevenson
C. Arthur Miller
D. Henry Ford

1804. The type of sales presentation approach that requires good listening and problem-solving skills is the ?
A. canned approach
B. formula appraoch
C. need-satisfaction approach
D. critical-thinking approach

1805. successful ________ depends on how well a company blends its people organizational structure decision and reward systems, and company culture into a cohesive program that supports its strategies?
A. marketing strategy
B. marketing control
C. marketing analysis
D. marketing implementation

1806. _______ is the general term for a buying and selling process that is supported by electronic means?
A. Internet commerce
B. Web commerce
C. Computer commerce
D. Electronic commerce

1807. ________ consists of dividing a market into distinct groups of buyers on the basis of needs, characteristics or behavior who might require separate products or marketing mixes?

A. Product differentiation
B. Market segmentation
C. Market targeting
D. Market positioning

1808. In terms of special product life cycles a ________ is a basic and distinctive mode expression?
A. genre
B. style
C. fashion
D. fad

1809. ________ is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter?
A. Mass marketing
B. Market segmentation
C. Market targeting
D. Market positioning

1810. It is fact that there are 24 million left-handed people in the United States however most marketers do not attempt to appeal to or design products for this group because there is little in the way of census data about this is group Therefore, this groups fails in one of the requirements for effective segmentation Which of the following is most likely to apply in this case ?
A. actionable
B. substantial
C. differentiable
D. measurable

1811. _______ factors are the most popular bases for segmenting customer groups?
A. Geographic
B. Demographic
C. Psychographic
D. Behavioral

1812. When Micheal Jordan and Tiger Woods use marketing to promote their careers and improve their impact and incomes they are using?
A. cause-related marketing
B. idea marketing
C. nonprofit marketing
D. person marketing

1813. When an international seller sells a plant equipment or technology to another country and agrees to take payment in the resulting products, it is called?

A. barter
B. buy-back
C. counterpurchase
D. like-value-exchange

1814. Which of the following promotional budget methods wrongly views sales as the cause of promotion rather than as the result ?
A. Affordable method
B. Percentage of Sales method
C. Competitive parity method
D. Objective and task method

1815. _________ is setting the price steps between various products in a product the based on cost difference between the products, customer evaluations of different features, and competitors prices ?
A. Optional-product pricing
B. Captive-product pricing
C. Product line pricing
D. By-product pricing

1816. Drop shippers perform which of the following functions ?
A. **Assumes title and ships coal, lumber or heavy equipment to a buyer**
B. Stocks the bread rack in a grocery store
C. Maintains, owns and stocks a CD display in a grocery store
D. Sells jewelry out of a catalog

1817. ________ beliefs values are open to some degree of change ?
A. Crucial
B. Core
C. Primary
D. Secondary

1818. The Wheeler-Lea Act gives the Federal Trade Commission the power to regulate ?
A. interstate commerce
B. marketing ethics
C. unfair and deceptive acts or practices
D. competitive advertising of objective product benefits

1819. When an importing country sets limits on the amount of goods it will accept in certain product categories it is called a(n) ?
A. **quota**
B. barrier
C. tariff
D. embargo

1820. **________ is the practice of adopting policies and developing strategies that both sustain the environment and produce profits for the company ?**
A. Environmentalism
B. Environmental sustainability
C. Consumerism
D. Consumer accountability

1821. **Consumer goods with unique characteristics or brand identification often requiring a special purchase effort are called?**
A. custom products
B. specialty products
C. convenience products
D. shopping products

1822. **A(n) _____ is a retail store that carries a narrow product line with a deep assortment within that line ?**
A. shopping goods store
B. convenience store
C. specialty store
D. department store

1823. **If a firm were to bid to do a turnkey operation where they would choose a building site designing a cement factory to build the plant hire construction crews assemble materials and equipment to run the new factory and turn over the finished factory ready to operate to the owners the firm would be using which of the following ?**
A. Core Process products selling
B. Design Products selling
C. Reciprocal spelling
D. Systems selling

1824. **The In suppliers are most likely to get nervous and feel pressure to put their best foot forward in which of the following types of buying situations ?**
A. **modified rebuy**
B. new task buying
C. straight rebuy
D. indirect rebuy

1825. **Which of the following is foreign owned (even through it is traditionally thought of as a U.S company) ?**
A. IBM
B. Xerox
C. Kodak
D. Universal Studios

1826. _______ is the step in the selling process in which the salesperson learns as much as possible about a prospective customer before making a sales call?
A. Prospecting
B. Preapproach
C. Approach
D. Handling objections

1827. Traditionally companies have defined their business in product terms or in technological terms however mission statements should be all of the following EXCEPT ?
A. market oriented
B. a statement of religion
C. motivating
D. based on distinctive competencies

1828. R&D and engineering first produce the product concept into a physical product during which of the following stages of the new product development process ?
A. Concept development and testing
B. Marketing strategy
C. Business analysis
D. Product development

1829. If Toyota describes one of its cars of the future as being a moderately priced subcompact designed as a second family car to be used arround town; the car is ideal for running errands and visiting friends, then the company has just stated a potential new product in terms of a(n) ?
A. Product idea
B. Product image
C. Product concept
D. Product features

1830. Conflicts between different levels of the same channel of distribution are referred to as ?
A. horizontal conflicts
B. vertical conflicts
C. layer-based conflicts
D. parallel conflicts

1831. A company is practicing _________ if it focuses on subbasements with distinctive traits that may seek a special combination of benefits ?
A. micro marketing
B. niche marketing

C. mass marketing
D. segment marketing

1832. All of the following are commonly recognized promotion budget formal EXCEPT ?
A. the affordable method
B. the LIFO method
C. the percentage of sales method
D. the objective and task method

1833. ___________ is a strategy of using a successful brand name to launch a new of modified product in a new category ?
A. Duobranding
B. Line extension
C. Brand extension
D. Multibranding

1834. Which of the following is NOT one of the five stages of the buyers decision process?
A. need recognition
B. brand identification
C. information search
D. purchase decision

1835. _______ is the concept under which a company carefully integrates and coordinates its may communications channels to deliver a clear consistent and compelling message about the organization and its products?
A. The promotion mix
B. Integrated international affairs
C. Integrated marketing communications
D. Integrated demand characteristics

1836. A company faces several major decisions in international marketing the first of these decisions is often ?
A. deciding whether to go international
B. looking at the global marketing environment
C. deciding which markets to enter
D. deciding how to enter markets

1837. The American Marketing Association suggests a list of code of ethics All of the following are ethics suggested in the area of distribution EXCEPT ?
A. not manipulating the availability of a product for purpose of explotation
B. not using coercion in the marketing channel
C. using gray marketers whenever possible to save the consumer

money
D. not exerting undue influence over the reseller's choice to handle a product

1838. All of the following are methods by which a company can divide up its sales responsibilities EXCEPT ?
A. territorial sales force structure
B. pychographic trait sales force structure
C. product sales force structure
D. customer sales force structure

1839. The course of a product's sales and profits over its lifetime is called ?
A. the sales chart
B. the dynamic growth curve
C. the adoption cycle
D. the adoption cycle
E. the product life cycle

1840. The most logical budget setting method is found in the list below. Which is it ?
A. Affordable method
B. Percentage of sales method
C. Competitive parity method
D. Objective and task method

1841. When producers, wholesalers, and retailers act as a unified system they comprise a ?
A. conventional marketing system
B. power-based marketing system
C. horizontal marketing system
D. vertical marketing system

1842. __________ is person's distinguishing psychological characteristics that lead to his or her own environment?
A. Psychographics
B. Personality
C. Demographics
D. Lifestyle

1843. The Choice between high markups and high volume is part of which of the following retailer marketing decisions ?
A. Target market decisions
B. Produced assortment and services decisions
C. Pricing decisions
D. Promotion decisions

1844. If your company were to make light bulbs to be used in photocopiers you would most likely be selling to a _________ market?

A. reseller
B. business
C. government
D. service

1845. A(n) ________ is a name term sign symbol or design, or a combination of these that identifies that maker or seller of a product or service ?

A. Product feature
B. sponsorship
C. brand
D. logo

1846. A ________ is any activity or benefit offered for sale that is essentially intangible and does not result in the ownership of anything?

A. demand
B. basic staple
C. product
D. service

1847. When personal interviewing involves inviting six to ten people to gather for a few hours with a trained interviewers to talk about a product service, or organization the method is called ?

A. Selective sponsorship
B. Probing
C. focus group interviewing
D. the Delphi method

1848. The shrinking or distances due to technological advances such as computer and fax connections by telephone are one characteristic of what new challenge to marketing ?

A. **Rapid globalization**
B. The changing world economy
C. The call for more socially responsible marketing
D. The micro-chip revolution

1849. The major advantage of survey research is its ?

A. simplicity
B. structure
C. organization
D. flexibility

1850. A three day cooling off period in which buyers can cancel a contract after re-thinking it is to protect the consumer from ?
A. creative selling
B. high pressure telling
C. detail selling
D. hard core selling

1851. When Coca-Cota and Nestle formed joint venture to market a ready to drink coffee and tea worldwide the type of marketing system that was formed would best be described as being a(n)?
A. vertical marketing system
B. parallel marketing system
C. diversified marketing system
D. horizontal marketing system

1852. When a marketing research organization chooses a segment of the population that represents the population as a whole, they have chosen a ?
A. group
B. bi-variant population
C. sample
D. market target

1853. Setting the promotion budget so as to match the budgets of the competition is characteristic of which of the following budget methods ?
A. Affordable method
B. Percentage of Sales method
C. Competitive parity method
D. Objective and task method

1854. Technological advances, shifts in consumer tastes, and increased competition all of which reduce demand for a product are typical of which stage in the PLC ?
A. **decline stage**
B. introduction stage
C. growth stage
D. maturity stage

1855. The process that turns marketing strategies and plans into marketing actions in order to accomplish strategic marketing objectives is called ?
A. Marketing strategy
B. Marketing control
C. Marketing analysis
D. Marketing implementation

1856. The last stage in the selling process in the __________ stage?
A. Approach
B. handling objections
C. closing
D. follow-up

1857. Costs that do not vary with production or sales levels are called ?
A. **fixed costs**
B. variable costs
C. standard costs
D. independent costs

1858. Today advertising captures about ________ percent of total promotion spending?
A. 15
B. 23
C. 29
D. 33

1859. One of the most common problems with using internal database information is that ?
A. **since it was probably collected for some other purpose it may be incomplete or wrong**
B. it is usually expensive to retrieve
C. top executives are usually unwilling to relinquish data therefore the data has limits
D. the data is almost always unsecured and therefore, suspect as to reliability

1860. The advantages of audience selectivity no ad competition and personalization apply to which type of media ?
A. Newspapers
B. Television
C. Direct Mail
D. Radio

1861. When companies make marketing decisions by considering consumers wants and the long run interests of the company consumer and the general population they are practicing which of the following principle ?
A. Innovative marketing
B. Consumer-oriented marketing
C. Value marketing
D. Societal marketing

1862. Marketers are sometimes accused of deceptive practices that lead consumers to believe they will get more value than they actually do.

_____ includes practices such as falsely advertising factory of wholesale prices or a large price reduction from a phony high retail price ?

A. Deceptive promotion
B. Deceptive packaging
C. Deceptive pricing
D. Deceptive cost structure

1863. All of the following considered to be drawbacks of local marketing EXCEPT ?

A. it can drive up manufacturing and marketing costs by reducing economies of scale
B. it can create logistical problems when the company tries to meet varied requirements
C. it can attract unwanted competition
D. it can dilute the brand's overall image

1864. That the company that overlooks new and better ways to do things will eventually lose customers to another company that has found a better way to serving customer needs is a major tenet of ?

A. **innovative marketing**
B. consumer oriented marketing
C. value marketing
D. sense -f mission marketing

1865. A _____ is a good offered either free or at low cost as an incentive to buy a product ?

A. patronage reward
B. spiff
C. price pack
D. premium

1866. Pricing to cover variable costs and some fixed costs as in the case of some automobile distributorships that sell below total costs is typical of which of the following pricing objectives ?

A. current profit maximization
B. product quality leadership
C. Market share leadership
D. Survival

1867. __________ are products bought by individuals and organizations for further processing or for use in conducting a business?

A. Consumer products
B. Services
C. Industrial products
D. Specialty products

1868. The __________ is a person within a reference group who because of special skills knowledge personality or other characteristics exerts influence on others ?
A. facilitator
B. referent actor
C. opinion leader
D. social role player

1869. Concerns that the manufactures of harmful products such as tobacco have influence on lawmakers to the detriment of the public interest is used as evidence of which criticism of marketing ?
A. Too much advertising
B. Too few social goods
C. Cultural pollution
D. Too much political power

1870. In terms of execution style a family seated at the dinner table enjoying the advertised product would be an example of which of the following types of advertising ?
A. **Slice of life**
B. Lifestyle
C. Mood or imagery
D. Personality symbol

1871. ___________ have contractual authority to sell a manufacturer's entire output?
A. **Selling agents**
B. Rack jobbers
C. Manufacturer's agents
D. Purchasing agents

1872. More and more salespeople are being evaluated and compensated based on different measures than in the past. All of the following are illustrations of those measures EXCEPT ?
A. long term customer sanctification
B. competitive predatory pricing performance
C. full customer service
D. retention rates

1873. The orange juice manufacturers know that orange juice is most often consumed in the mornings. However they would like to change this and make the drink acceptable during other time periods during the day Which form of segmentation would they need to work with and establish strategy reflective of their desires ?
A. gender segmentation
B. benefit segmentation

C. occasion segmentation
D. age and lief-cycle segmentation

1874. A(n) _____ are computerized collections of information obtained from data sources within the company ?
A. retrieval systems
B. marketing research reports
C. flow diagrams and PERT charts
D. internal databases

1875. If a company's objective were to reach masses of buyers that were geographically dispersed at a low cost per exposure the company would like choose which of the following promotion forms ?
A. Advertising
B. Personal selling
C. Public relations
D. Sales promotion

1876. Successful service companies focus their attention on both their customers and their employees they understand ________ which links service firm profits with employee and customer satisfaction ?
A. internal marketing
B. service-profit chains
C. interactive marketing
D. service differentiation

1877. Anything that can be offered to a market for attention acquisition, use, or consumption that might satisfy a want or need is called a(n) ?
A. idea
B. demand
C. product
D. service

1878. Yahoo, Infoseek, and Baido are all called ?
A. browsers
B. Webcasters
C. search engines
D. software

1879. Wal-Mart owned Sam's club is an example of a retail called a(n) ?
A. factory outlet
B. super specialty store
C. seconds store
D. warehouse club

1880. **When a company enters a new product category for which its current brand names are not appropriate it will likely follow which of the following brand strategies ?**
A. Product extensions
B. Line extensions
C. Brand extensions
D. New brands

1881. **________ are ads that appear while subscribers are surfing online services or Web sites, including banners, pop-up windows, tickers and roadblocks?**
A. Online infomercials
B. Online ads
C. Online broadcasts
D. Online bullets

1882. **__________ is a principle of enlightened marketing that requires that a company seek real product and marketing improvements ?**
A. **Innovative marketing**
B. Consumer oriented marketing
C. value marketing
D. Sense of mission marketing

1883. **Many U.S firms have sought relief from foreign competition by demanding protectionism policies by the U.S government. A better way for companies to compete is to expand into foreign markets and ?**
A. lower prices
B. increase promotion both at home and abroad
C. continuously improve their products at home
D. join into cartels at home

1884. **The fact that services are sold, produced and consumed at the same time refers to which of the following service characteristics ?**
A. Intangibility
B. Inseparability
C. Variability
D. Perishability

1885. **A ___________ is a brand created and owned by a reseller of a product of service ?**
A. licensed brand
B. manufacturer's brand private brand
C. private brand
D. co-brand

1886. 3M runs a Pollution a Prevention Pays program that has led to a substantial reduction in pollution and costs this would be an example of responding and costs. This would be an example of responding to which of the following ?

A. Nader's raiders
B. The green movement
C. Governmental regulation
D. International competition

1887. The stage is the product life cycle that focuses on expanding market and creating product awareness and trails is the ?

A. decline stage
B. introduction stage
C. growth stage
D. maturity stage

1888. If the field salesforce has been supplied with new leads (via the telephone) that have been qualified, they have probably been assisted by ?

A. master salespersons
B. sales assistants
C. technical support persons
D. telemarketers

1889. Rolls Royce uses which of the following distribution formats ?

A. Intensive distribution
B. Exclusive distribution
C. Selective distribution
D. Open distribution

1890. A set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user is called a(n) ?

A. retailer
B. wholesaler
C. distribution channel
D. logistics

1891. According to Engel's law as income rises ?

A. The percentage spent on food rises
B. The percentage spent on housing increases
C. The percentage spent on other categories increase
D. The percentage spent on savings remains constant

1892. In evaluating messages for advertising telling how the product is better than the competing brands aims at making the ad ?

A. meaningful
B. distinctive
C. believable
D. remembered

1893. According to the price/quality strategy matrix when a company overprices its product in relation to its quality it is considered to be using which type of strategy ?
A. Good-value strategy
B. Premium strategy
C. Overcharging strategy
D. Snob strategy

1894. A _______ is a promotion strategy that calls for using the sales force and trade promotion to move the produce through channels ?
A. **push strategy**
B. pull strategy
C. blocking strategy
D. integrated strategy

1895. Even through buying roles in the family change constantly the _________ has traditionally been the main purchasing agent for the family?
A. **wife**
B. husband
C. teenage children
D. grandparent

1896. The purpose of strategic planning is to find ways in which the company can best ?
A. overcome losses
B. use its strengths to take advantage of attractive opportunities in the environment
C. avoid paying taxes
D. avoid the expense of costly research and development while still getting the benefits

1897. A _________ is a need that is sufficiently pressing to direct the person to seek satisfaction?
A. **motive**
B. want
C. demand
D. requirement

1898. According to the text the most dramatic of the environments that affect marketing and appears to be now shaping our world is the ___________ environment?

A. natural
B. demographic
C. economic
D. technological

1899. All of the following are ways that marketing plays a key role in the company's strategic planning EXCETP ?
A. marketing provides a guiding philosophy
B. marketing is the only discipline that can provide a formal structure for the planning effort
C. marketing provides inputs to strategic planners by helping to identify attractive market opportunities
D. within individual business units marketing designs strategies for reaching the unit's objectives

1900. In a example discussed in your text Johnson & Johnson's recall of their Tylenol product following the discovery that several bottles of Tyloenol had been laced with cyanide is consistent with which business philosophy ?
A. The marketing concept
B. The product concept
C. The selling concept
D. The societal marketing concept

1901. A company's compensation plan should reflect its overall marketing strategy For example if the overall strategy is to grow rapidly and gain market share the compensation plan should reward ?
A. loyalty and perseverance
B. spot selling and old product rejuvenation
C. high sales performance and encourage capturing new accounts
D. high pressure situations and competitive reaction

1902. A price reduction to buyers who buy in large volumes is called a(n) ?
A. **quantity discount**
B. cash discount
C. seasonal discount
D. trade discount

1903. All of the following are criticisms leveled against marketing by critics EXCEPT ?
A. harming consumers through high prices
B. harming consumers through deceptive practices
C. harming consumers through high-pressure selling
D. harming consumers through too many product choices

1904. The primary reason that many companies work to become the low cost producers in their industry is because ?

A. they can generate more advertising
B. they can please top management
C. they can gain tax advantages
D. they can set lower prices that that result in greater sales and profits

1905. __________ is a philosophy holding that a company's marketing should support the best long-run performance of the marketing system?
A. **Enlightened marketing**
B. Myopic marketing
C. Fundamental marketing
D. Conceptual marketing

1906. If a consumer describes a car as being the most economical car on the market than this descriptor is a?
A. rule
B. attitude
C. belief
D. cute

1907. When a company reviews sales costs and profit projections for a new product to find out whether these factors satisfy the company's objectives they are in which of the following new process development stages ?
A. Concept development and testing
B. Commercialization
C. Business analysis
D. Marketing strategy development

1908. The fact that services cannot be stored for later use or sale is evidence of their ?
A. intangibility
B. inseparability
C. variability
D. perishability

1909. Catalog marketing is big business in the United States. The average house hold receives __________ catalogs per year?
A. 25
B. 50
C. 75
D. 100

1910. Given recent information about growth trends and growth potential of ethnic populations within the U.S market which of the following

ethnic groups would be a best bet to double during the next half century and become one of the U.S market’s most viable segments ?
A. **Hispanics and Asians**
B. African Americans
C. Western Europeans
D. Middle Eastern

1911. **If your company were to make a product such as a suit of clothes and sold that product to a retailer your company would have sold to the __________ merket?**
A. **reseller**
B. business
C. government
D. service

1912. **The type of trade promotion discount in which manufacturers agree to reduce the price to the retailer in exchange for the retailer’s agreement to feature the manufacturer’s products is some way is called a(n) ?**
A. discount
B. allowance
C. premium
D. rebate

1913. **The place in the business buying behavior model where interpersonal and individual influences might interact is called the ?**
A. environment
B. response
C. stimuli
D. buying center

1914. **One common misuse of marketing research findings in contemporary business is the tendency for marketing research tp ?**
A. **become a vehicle for pitching the sponsor’s products**
B. become a vehicle for pitching the sponsor’s products
C. become a means for raising prices
D. become a means of unfair competition

1915. **__________ has the advantage of being high in selectivity low cost; immediacy; and interactive capabilities?**
A. Direct Mail
B. Outdoor
C. Online
D. Radio

1916. If an advertiser wants flexibility timeliness good local market coverage broad acceptability, and high believability the advertiser will probably choose which of the following mass media types ?
A. **Newspapers**
B. Television
C. Direct Mail
D. Radio

1917. If a government uses barriers to foreign products such as biases against a foreign company's bids or product standards that go against a foreign company's product features the government is using ?
A. Protectionism
B. exchange controls
C. exchange facilitators
D. nontariff trade barriers

1918. All of the following factors can affect the attractiveness of a market segment EXCEPT ?
A. the presence of many strong and aggressive competitors
B. the likelihood of government monitoring
C. actual or potential substitute products
D. the power of buyers in the segments

1919. If Mark Mars pays Hershey Foods Corporation for the right to use their name on his line of T-shirts then Mr. Mars is using which type of branding ?
A. **Licensed brands**
B. Manufacturer's brand
C. Private brand
D. Co-brand

1920. A company is in the ________ stage of the new product development process when the company develops the product concept into a physical product in order to assure that the product idea can be turned into a workable product ?
A. **product development**
B. commercialization
C. marketing strategy
D. business analysis

1921. Joining with foreign companies to produce or market products and services is called ?
A. direct exporting
B. indirect exporting

C. licensing
D. joint venturing

1922. The type of salesforce structure in which the sales force sells along product lines is called a ?
A. territorial salesforce
B. product salesforce
C. customer salesforce
D. retail salesforce

1923. The practice of going after a large share of a smaller market or subsets of a few markets is called ?
A. undifferentiated marketing
B. differentiated marketing
C. concentrated marketing
D. turbo marketing

1924. _________ is screening new product ideas in order to spot good ideas and drop poor ones as soon as possible?
A. Idea generation
B. Concept development and testing
C. Idea screening
D. Brainstorming

1925. The _______ holds that consumers will favor products that are available and highly affordable (therefore, work on improving production and distribution efficiency) ?
A. product concept
B. production concept
C. production cost expansion concept
D. marketing concept

1926. The goal of the marketing logistics system should be to provide ?
A. A targeted level of promotional support
B. A targeted level of customer service at the least cost
C. A targeted level of transportation expense ratio
D. A targeted level of field support

1927. If a company (considering its options on the product/market expansion grid) chooses to move into different unrelated fields (from what it ha ever done before) with new products as a means to stimulate growth the company would be following which of the following general strategies ?
A. market penetrations
B. market development
C. product development
D. diversification

1928. If Honda uses its company name to cover such different products as its automobile's lawn mowers and motorcycles, it is practicing which of the following strategies ?
A. new brand strategy
B. line extension strategy
C. multiband strategy
D. brand extension strategy

1929. Each salesperson is assigned to an exclusive area in which to sell the company's full line of products or services in which type of salesforce structure ?
A. **Territorial sales force**
B. Product sales force
C. Customer sales force
D. Hybrid sales force

1930. In 1985, the Coca-cola Company made a classic marketing blunder with its deletion of its popular Coca-Cola product and introduction of what it called New Coke Analysts now believe that most of the company's problems resulted from poor marketing research. As the public demanded their old Coke back the company relented and reintroduced Coca-Cola Classic (which has regained and surpassed its former position) while New Coke owns only 0.1 percent of the market Which of the following marketing research mistakes did Coca-Cola make ?
A. They did not investigate pricing correctly and priced the product too high
B. They did not investigate dealer reaction and had inadequate distribution
C. They defined their marketing research problem too narrowly
D. They failed to account for the Pepsi Challenge taste test in their marketing efforts

1931. All of the following are thought to be sources of new product ideas EXCEPT ?
A. internal sources
B. customers
C. competitors
D. the local library

1932. The first modern environmental movement in the United States began in the ?
A. 1940s
B. 1950s

C. 1960s and 1970s
D. mid-1980s

1933. Regulations that arise to ensure that firms take responsibility for the social costs of their products or production processes stem from which reason for government legislation of business ?
A. To protect companies form each other
B. To protect consumers from unfair business practices
C. To protect the interests of society
D. To protect businesses from unfair consumer demands

1934. One of the most promising developments in multivariable segmentation is called _____ where a host of demographic and socioeconomic factors are used ?
A. terragraphic segmentation
B. fermagraphic segmentation
C. geothermy segmentation
D. geodemographic segmentation

1935. The study of human population in terms of size, density, location age gender, race occupation and other statistics is called ?
A. Geothermy
B. Demography
C. Ethnography
D. Hemos-popography

1936. A perfectly competitive market has ?
A. firms that set their own prices
B. only one seller.
C. at least a few sellers.
D. many buyers and sellers.

1937. The law of demand states that an increases in the price of a good ?
A. None of these answers
B. decreases the quantity supplied of that good
C. decreases the quantity demanded for that good
D. increases the quantity supplied of that good

1938. If an increase in consumer incomes leads to a decrease in the demand for camping equipment, then camping equipment is ?
A. a normal good
B. none of these answers
C. an inferior good
D. a substitute good

1939. Which of the following shifts the demand for watches to the right ?
A. an increase in the price of watches
B. none of these answers

C. a decrease in the price of watch batteries if watch batteries and watches are complements
D. a decrease in consumer incomes if watches are a normal good
E. a decrease in the wage of workers employed to manufacture watches

1940. If the price of a good is above the equilibrium price ?
A. there is a surplus and the price will rise
B. there is a shortage and the price will fall
C. there is a shortage and the price will rise
D. The quantity demanded is equal to the quantity supplied and the price remains unchanged
E. there is a surplus and the price will fall

1941. If the price of good is equal to the equilibrium price ?
A. there is a shortage and the price will fall
B. the quantity demanded is equal to the quantity supplied supplied and the price remains unchanged
C. there is surplus and the price will rise
D. there is a shortage and the price will rise
E. there is a surplus and the price will fall

1942. A decrease (leftward shift) in the supply for a good will tend to cause ?
A. **an increase in the equilibrium price and quantity**
B. a decrease in the equilibrium price and an increase in the equilibrium quantity
C. none of these answers
D. a decrease in the equilibrium price and quantity.
E. an increase in the equilibrium price and a decrease in the equilibrium quantity

1943. Suppose there is an increase in the both the supply and demand for personal computers Further, suppose the supply of personal computer increase more than demand for personal computers In the market for personal computers i the market for personal computers, we would expect ?
A. the change in the equilibrium quantity to be ambiguous and the equilibrium price to fall.
B. the equilibrium quantity to rise and the equilibrium price to rise
C. the equilibrium quantity to rise and the change in the equilibrium price to be ambiguous
D. the equilibrium quantity to rise and the equilibrium price to fall
E. the equilibrium quantity to rise and the equilibrium price to remain constant

1944. Suppose a frost destroys much of the Florida orange crop. At the same time, suppose consumer tastes shift toward orange juice, What would we expect to happen to the equilibrium price and quantity in the market for orange juice ?

A. price will decrease, quantity is ambiguous
B. The impact on both price and quantity is ambiguous.
C. Price will increase, quantity will increase
D. price will increase, quantity will decrease
E. price will increase, quantity is ambiguous.

1945. Suppose both buyers and sellers of wheat expect the price of wheat to rise in the near future. What would we expect to happen to the equilibrium price and quantity in the market for wheat today ?

A. The impact on both price and quantity is ambiguous
B. Price will decrease, quantity is ambiguous.
C. price will increase, quantity will decrease
D. price will increase, quantity is ambiguous.
E. Price will increase, quantity will increase

1946. If demand increase in a market this will usually lead to ?

A. **A higher equilibrium price and output**
B. A lower equilibrium price and higher output
C. A lower equilibrium price and output
D. A higher equilibrium price and lower output

1947. A reduction in the costs of production will ?

A. Lead to a movement along the supply curve
B. Shift the demand curve
C. Shift the supply curve
D. Lead to an extension of supply

1948. Assuming a downward sloping demand curve and upward sloping supply curve a higher equilibrium price may be caused by ?

A. An fall in demand
B. An increase in supply
C. improvements in production technology
D. An increase in demand

1949. A movement along the demand curve may be caused by ?

A. A change in income
B. A change in the number of buyers
C. A change in advertising
D. A shift in supply

1950. A movement along the supply curve may be caused by ?

A. A change in technology
B. A change in the number of producers

C. A shift in demand
D. A change in costs

1951. Which best describes consumer surplus ?
A. The price consumers are willing to pray for a unit
B. The cost of providing a unit
C. The profits made by a firm
D. The difference the price a consumer pays for an item and the price he/she is willing to pay

1952. A shift is demand will have more effect on price than quantity if ?
A. The price elasticity of supply is price inelastic
B. The price elasticity of supply is price elastic
C. The price elasticity of supply is perfectly elastic
D. The price elasticity of supply is infinity

1953. A shift in supply will have more effect on price than quantity if ?
A. **The price elasticity of supply is – 3**
B. The price elasticity of supply is – 0.2
C. The price elasticity of supply is – 2
D. The price elasticity of supply is infinity

1954. An increase in demand for a product should ?
A. Increase equilibrium price and quantity
B. Decrease equilibrium price and quantity
C. Increase equilibrium price and decrease quantity
D. Decrease equilibrium price and increase quantity

1955. A public good will ?
A. Be under provided in the free market
B. Be over provided in the free market
C. Not be provided in the free market
D. Has no opportunity cost

1956. If the price in a market is fixed by the government below equilibrium ?
A. There is excess equilibrium
B. There is excess supply
C. There is excess demand
D. There is equilibrium

1957. Merit goods are ?
A. Not provided in the free market economy
B. Under provided in the free market economy
C. Over provided in the free market economy
D. Provided free

1958. When supply increase in an agricultural market farmer's earning might fall because ?

A. Supply is price elastic
B. Demand is price inelastic
C. The government buys up all the excess production
D. All output must be sold at a maximum price

1959. With a positive externality ?
A. **There is under-consumption in the free market**
B. There is over consumption in the free market
C. The government may tax to decrease production
D. Society could be made off it less was produced

1960. Nationalisation occurs when ?
A. The government sells assets to a the private sector
B. The government bans a product
C. The government takes control of an industry
D. The government taxes a product to a raise its price

1961. A price ceiling is ?
A. **a maximum price usually set by government that sellers may charge for a good**
B. the different between the initial equilibrium price and the equilibrium price after a decrease in supply
C. a minimum price usually set by government that sellers must charge for a good
D. a minimum price that consumers are willing to pay for a good.

1962. It is necessary to ration a good whenever ?
A. supply exceeds demand
B. a surplus exists
C. there is perfectly inelastic demand for the good
D. demand exceeds supply

1963. If the market price is below the equilibrium price ?
A. **quantity demanded will be greater than quantity supplied**
B. quantity demanded will be less than quantity supplied
C. demand will be less than supply.
D. quantity demanded will equal quantity supplied .

1964. Economists use the term Black Markets for situations where ?
A. **goods are sold at prices above legal or official price.**
B. buyers and/or sellers are not paying taxes as they should
C. illegal substances are sold
D. transactions are not recorded in the GDP figures.

1965. VAT is a good example of which kind of tax ?
A. Specific
B. Exercise duty

C. Direct
D. Ad valorem

1966. Tax incidence is the ?
A. behaviour of shifting the tax to another party.
B. structure of the tax
C. ultimate distribution of a tax's burden.
D. measure of the impact the tax has on employment and output

1967. The allocation of resources is not efficient if ?
A. **the marginal cost of production does not equal society's marginal benefit**
B. the distribution is inequitable
C. economic growth is low
D. unemployment is high

1968. Externalities arise because there is a divergence between _________ and __________?
A. private costs, private benefits
B. private costs, social costs or benefits
C. social costs, social benefit
D. insiders, outsiders

1969. Markets sometimes fail to exist because of_________?
A. externalities
B. the free-rider problem
C. a and b
D. a and c

1970. If the consumption of good by one person does not reduce the quantity available by others and nobody can be easily excluded from consumption, we are referring to a ?
A. Private good
B. merit good
C. public good
D. abundant good

1971. Except for taxes to offset _______ taxes are _______?
A. imperfect competition popular
B. externalities , distortionary
C. inequality , a first best option
D. poor health, unnecessary

1972. Taxes creates a wedge between the sales price and purchase price that prevents the price system equating _____ and _______?
A. **marginal costs, marginal benefits**
B. demand, supply

C. marginal cost, marginal revenue
D. marginal cost, average cost

1973. The effect of a tax to offset a negative externality will be to ____ price and ______ quantity?
A. reduce , reduce
B. increase, increase
C. increase, reduce
D. reduce, increase

1974. The social costs of monopoly power arises because ?
A. marginal cost is set equal to marginal revenue
B. price is less than marginal cost
C. marginal consumer benefit is less than marginal revenue
D. there is too little output at too high a cost

1975. If two firms doing the same thing in the same industry join together, this is known as a ?
A. vertical merger
B. horizontal merger
C. conglomerate merger
D. hostile takeover

1976. The problem posed by a natural monopoly is that it faces a _____ This means that _______?
A. increasing average cost curve, marginal cost lies above average cost
B. increasing average cost curve, marginal cost lies below average cost
C. decreasing average cost curve marginal cost lies above average cost
D. decreasing average cost curve, marginal cost lies below average cost

1977. If an increase in the price of blue jeans leads to an increase in the demand for tennis shoes, then blue jeans and tennis shoes are ?
A. Complements
B. inferior goods
C. normal goods
D. none of these answers
E. Substitutes

1978. The law of supply states that an increase in the price of a good ?
A. none of these answers
B. increases the quantity supplied of that good
C. increase the supply of that good
D. decrease the demand for the good
E. decrease the quantity demanded for that good

1979. A monopolistic market has ?

A. many buyers and sellers
B. none of these answers
C. firms that are price takers
D. only one seller

1980. All of the following shift the supply of watches to the right except ?
A. an advance in the technology used to manufacture watches
B. an increase in the price of watches
C. All of these answers cause an increase in the supply of watches
D. a decrease in the wage of workers employed to manufacture watches

1981. If the price of good is below the equilibrium price ?
A. **there is a shortage and the price will rise**
B. the quantity demanded is equal to the quantity supplied and the price remains unchanged
C. there is a shortage and the price will fall
D. there is a surplus and the price will rise

1982. An increase (rightward shift) in the demand for a good will tend to cause ?
A. an increase in the equilibrium price and quantity
B. none of these answers
C. an increase in the equilibrium price and a decrease in the equilibrium quantity
D. a decrease in the equilibrium quantity.
E. a decrease in the equilibrium price and quantity.

1983. Suppose there is an increase in both the supply and demand for personal computers. In the market for personal computers, we would expect?
A. the equilibrium quantity to rise and the equilibrium price to rise
B. the equilibrium quantity to rise and the equilibrium price to fall
C. the equilibrium quantity to rise and the equilibrium price to remain constant
D. the change in the equilibrium quantity to be ambiguous and the equilibrium price to rise
E. the equilibrium quantity to rise and the change in the equilibrium price to be ambiguous.

1984. Which of the following statements is true about the impact of an increase in the price of lettuce ?
A. Both the demand for lettuce will decrease and the equilibrium price and quantity of salad dressing will fall
B. The supply of lettuce will decrease
C. The demand for lettuce will decrease

D. The equilibrium price and quantity of salad dressing will fall
E. The equilibrium price and quantity of salad dressing will rise

1985. **Suppose consumer tastes shift toward the consumption of apples Which of the following statements is an accurate description of the impact of this event on the market for apples ?**
A. There is an increase in the quantity demanded of apples and in the supply for apples
B. There is an increase in the demand and supply of apples.
C. There is an increase in the demand for apples and a decrease in the supply of apples
D. There is a decrease in the quantity demanded of apples and an increase in the supply for apples
E. There is an increase in the demand for apples and an increase in the quantity supplied of apples.

1986. **An inferior good is one for which an increase in income causes a(n) ?**
A. decrease in supply
B. increase in demand
C. increase in supply
D. decrease in demand

1987. **An increase in income will ?**
A. Lead to a movement along the demand curve
B. Shift the supply curve
C. Shift the demand curve
D. Lead to an extension of demand

1988. **A shift in supply will have a bigger effect on price than output if demand is ?**
A. income elastic
B. income inelastic
C. Price elastic
D. Price inelastic

1989. **If the price was fixed below the equilibrium price there would be ?**
A. Excess supply
B. Excess demand
C. Equilibrium
D. Downward pressure on prices

1990. **A subsidy paid to producers ?**
A. **Shifts the supply curve**
B. shifts the demand curve
C. Leads to a contractions in supply
D. Leads to an extension of supply

1991. **The price mechanism cannot ?**

A. Act as a signal
B. Act as a incentive
C. Act as a rationing device
D. shift the demand curve

1992. The price mechanism does not act as a ?
A. Signal
B. Incentive
C. Rationing device
D. Indicator of income

1993. A shift in demand will have more effect on price than quantity if ?
A. The price elasticity of supply is + 3
B. The price elasticity of supply is + 0.2
C. The price elasticity of supply is + 2
D. The price elasticity of supply is infinity

1994. A decrease in demand for a products should ?
A. increase equilibrium price and quantity
B. Decrease equilibrium price and quantity
C. Increase equilibrium price and decrease quantity
D. Decrease equilibrium price and increase quantity

1995. Income inequality can be high in the free market and should be reduced This is an example of What ?
A. Judicial economic statement
B. Positive economic statement
C. Formative economic statement
D. Normative economic statement

1996. A positive externality occurs when ?
A. **The social marginal costs are higher than the private marginals costs**
B. A product is not provided in the free market
C. The social marginal cost equal the social marginal benefit
D. The social marginal benefits are higher than the private marginal benefits

1997. If the price in a market is fixed by the government above equilibrium ?
A. There is excess equilibrium
B. There is excess supply
C. There is excess demand
D. There is equilibrium

1998. Agricultural prices tend to be unstable because ?
A. Supply is price elastic
B. Demand is price elastic

C. Supply is stable
D. Demand and supply are price inelastic

1999. A public good ?
A. Is provided by the government
B. Is free
C. Has the properties of being non-excludable and non-diminishable
D. Gas external costs

2000. If a maximum price is set below equilibrium there will be ?
A. A price fall
B. A price increase
C. Excess supply
D. Excess demand

2001. Economics say that there has to be some from of rationing whenever ?
A. inflation occurs
B. there are externalities
C. merit goods are produced
D. there is excess demand

2002. In a free market system rationing occurs when there are increases in ?
A. price
B. quantity
C. demand
D. supply

2003. If a government were to fix a minimum wage for adult workers, economists would predict ?
A. wages in general would fall as employers tried to hold down costs
B. fewer young workers would be employed
C. the costs and prices of firms employing cheap labour would increase
D. there would be more unemployment

2004. An example of an indirect tax is ?
A. **VAT**
B. inheritance tax
C. income tax
D. a tax on profits

2005. The government is considering placing a tax on cigarettes to raise revenue to finance health-care benefits. The demand for cigarettes is price inelastic Which of the following statements is True ?

A. This tax will not raise much revenue either in the short term or the long term since demand is price inelastic

B. The tax on cigarettes may not raise as much revenue as anticipated in the years to com because the demand for cigarettes is likely to become more elastic over time.

C. This a very good way to raise revenue both in the short term and in the long term, because there are no substitutes for cigarettes.

D. No tax revenue can be raised in this way because sellers of cigarette will just lower their price by the amount of the tax and therefore, the price of cigarettes to consumers will not change

2006. Which of the following is the government most likely to subsidies ?

A. Negative externalies

B. Positive externalities

C. Monopolies

D. Oligopolies

2007. Tax shifting ?

A. is the way in which a tax is structured

B. is the ultimate distribution of a tax's burden

C. occurs when taxes cause prices to increase but wages to fall

D. occurs when house hold can alter their behaviour and do something to avoid paying a tax.

2008. All of the following are types of imperfect competition except ?

A. monopolistic competition

B. oligopoly

C. monopoly

D. unfair competition

2009. When a market is contestable, incumbent firms must ___________ to avoid the entry of new competitors?

A. **behave like competitive firms**

B. agree to act together

C. differentiate their products

D. practice price discrimination

2010. In Nash equilibrium each player chooses the best strategy ?

A. Assuming other players move first

B. dominated by the other players

C. given the strategies of other players

D. that is a credible threat

2011. In the insurance industry, high-risk customers are more likely to take out insurance. This is an example of ?

A. moral hazard

B. risk aversion

C. adverse selection
D. a poor gamble

2012. A competitive equilibrium is Pareto-efficient because ?
A. Producers are price takers
B. consumers and producers face the same prices
C. marginal costs and benefits are equal
D. prices equal marginal cost and benefit
E. All of the above

2013. If my neighbour burns garden waste causing my house to fill with smoke this is an example of ?
A. a production externality
B. a second-best solution
C. transaction costs
D. a consumption externality

2014. Market failure may arise because of ?
A. imperfect competition
B. taxation
C. externalities
D. missing markets
E. all of the above

2015. A good example of a public good is ?
A. public transport
B. the national health service
C. national defence
D. rail transport

2016. 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

2017. Keynes liquidity preference theory of the interest rate suggests that the interest rate is determined by ?
A. aggregate supply and aggregate demand
B. the supply and demand for loanable funds
C. the supply and demand for money
D. the supply and demand for labor

2018. When supply and demand for money are expressed in a graph with the interest rate on the vertical axis and the quantity of money on the horizontal axis an increase in the price level ?

A. **shifts money demand to the right and increases the interest rate**
B. None of these answers
C. shifts money demand to the right and decreases the interest rate
D. shifts money demand to the left and increases the interest rate
E. shifts money demand to the left and decrease the interest rate

2019. In the market for real output, the initial effect of an increase in the money supply is to ?
A. shift the aggregate supply curve to the right
B. shift the aggregate supply curve to the left
C. shift the aggregate demand curve to the left
D. shift the aggregate demand curve to the right

2020. Suppose a wave of investor and consumer pessimism in the USA causes a reduction in spending If the US federal Reserve (Which has a broader remit than the Bank of England Which is charged only with controlling inflation) chooses to engage in activist stabilization policy it should ?
A. Increase government spending and decrease taxes
B. decrease the money supply
C. decrease government spending and increase taxes
D. decrease interest rates

2021. If the marginal propensity of consume MPC is 0.75 the value of the multiplier is ?
A. **4**
B. 7.5
C. 5
D. 0.75

2022. Suppose a wave of investor and consumer optimisms has increased spending so that the current level of input exceeds the long-run natural rate If policy makers choose to engage in activist stabilization policy they should ?
A. **decrease government spending Which the shifts the aggregate demand curve to the left**
B. decrease taxes, which shifts the aggregate demand curve to the right
C. decrease taxes, which shifts the aggregate demand curve to the left
D. decrease government spending which shifts the aggregate demand curve to the right

2023. Which of the following statements regarding taxes is correct ?
A. Most economists believe that in the short run the greatest impact of a change in taxes is on aggregate supply, not aggregate demand
B. An increase in taxes shifts the aggregate demand curve to the right

C. A decrease in taxes shifts the aggregate supply curve to the left
D. A permanent change in taxes has a greater effect on aggregate demand than a temporary change in taxes.

2024. When an increase in government purchases increases the income of some people, and those people spend some of that increase in income on additional consumer goods, we have seen a demonstration of ?
A. **The multiplier effects**
B. supply side economics
C. None of these answers
D. The crowding out effect

2025. Which of the following statements about stabilization policy is not true ?
A. Many economists prefer automatic stabilizers because they affect the economy with a shorter lag than activist stabilization policy
B. None of these answers are true
C. Long lags enhance the ability of policy makers to fine tune the economy
D. When policy makers implement activist stabilization policies there is a significant risk that their policies may actually have a destabilizing effect

2026. Which of the following best describes how an increase in the money supply shift the aggregate demand curve ?
A. The money supply shifts right prices fall spending increases and the aggregate demand curve shifts right
B. The money supply shifts right the interest rate rises investment decreases and the aggregate demand curve shifts left
C. The money supply shifts right the interest rate falls, investment increases, and the aggregate demand curve shifts right
D. The money supply shifts right, prices rise, demand curve shifts left

2027. When money demand is expressed in a graph with the interest rate on the vertical axis and the quantity of money on the horizontal axis an increase in the interest rate ?
A. None of these answers
B. decrease the quantity demanded of money
C. increase the quantity demanded of money
D. decreases the demand for money
E. increases the demand for money

2028. For the Eurozone countries, the most important source of the downward slope of the aggregate demand curve is probably ?

A. The wealth effect
B. None of these answers
C. The exchange-rate effect
D. The fiscal effect
E. The interest-rate effect

2029. The initial effect of an increase in the money supply is to ?
A. increase the interest rate
B. increase the price level
C. decrease the price level
D. decrease the interest rate

2030. The initial impact of an increase in government spending is to shift ?
A. **aggregate demand to the right**
B. aggregate demand to the left
C. aggregate supply to the right
D. aggregate supply to the left

2031. An increase in the marginal propensity to consumer (MPC) ?
A. **raises the value of the multiplier**
B. has no impact on the value of the multiplier?
C. rarely occurs because the MPC is set by congressional legislation
D. lowers the value of the multiplier

2032. When an increase in government purchases raises incomes shifts money demand to the right raises the interest rate, and lowers investment we have seen a demonstration of ?
A. supply-side economics
B. None of these answers
C. The crowding-out effect
D. The multiplier effects

2033. Suppose the government increases its purchases by Rs16 billion. If the multiplier effect exceeds the crowding out effect, then ?
A. The aggregate supply curve shifts to the right by more than Rs 16 billion
B. The aggregate demand curve shifts to the left by more than Rs 16 billion
C. The aggregate demand curve shifts to the right by more than Rs 16 billion
D. the aggregate supply curve shifts to the left by more than Rs 16 billion

2034. Which of the following is an automatic stabilizer ?
A. Spending on public schools
B. Military spending
C. All of these answers are automatic stabilizers

D. spending on the space shuttle
E. Unemployment benefits

2035. Which of the following is macroeconomic issue ?
A. The price of houses in karachi
B. The wage rate for plumbers in Islamabad
C. Your decision to work or stay at home
D. The level of unemployment is pakistan

2036. Which of the following is not involved with fiscal policy ?
A. **Income tax**
B. National insurance
C. VAT
D. Interest insurance

2037. Which of the following is not a macroeconomic issue ?
A. Unemployment
B. Inflation
C. The wages paid to footballers
D. Economic growth

2038. Which of the following is a policy instrument as opposed to a government objective ?
A. lower interest rates
B. A better balance of trade position
C. Faster economic growth
D. Lower unemployment

2039. Which of the following is not likely to be government objective ?
A. **Increasing employment**
B. Increasing economic growth
C. Increasing government spending
D. Increasing the level of exports

2040. The percentage of the labour force that is unemployed is the ?
A. Unemployment population ratio.
B. Unemployment rate
C. employment rate
D. Labour force rate.

2041. Since 1998 many government have defined unemployment using ?
A. a labour force survey.
B. the number out of work and claiming benefit
C. the percentage of the labour force not in work
D. the ILO/OECD standardised unemployment measurement

2042. Classifying discouraged workers as unemployed would ?
A. not change the unemployment rate
B. decrease the unemployment rate

C. increase the unemployment rate
D. have an indeterminate impact on the unemployment rate

2043. Aggregate demand is the total demand for all goods and services in an economy from ?
A. the household and government sectors
B. the household sector.
C. all sectors of except the rest of the world
D. all sectors of the economy including the rest of the world.

2044. Unemployment resulting from real wages being above their equilibrium level is called __________ unemployment?
A. natural
B. frictional
C. disequilibrium
D. structural

2045. Unemployment resulting from changes in the pattern of demand or supply in the economy is called ________ unemployment?
A. regional
B. technological
C. structural
D. demand-deficient

2046. The natural rate of unemployment is generally thought of as the ?
A. ratio of the frictional unemployment rate to the cyclical unemployment rate.
B. Sum of structural unemployment and cyclical unemployment.
C. Sum of frictional unemployment and cyclical unemployment
D. sum of frictional unemployment and structural unemployment.

2047. As prices rise, there will be costs of constantly changing price-tags and reprinting price-lists This is called ?
A. real balance effect
B. menu costs of inflation
C. money illusion.
D. cost-push inflation.

2048. Government policies that focus on changing taxes and government spending are called ?
A. **fiscal policies**
B. incomes policies
C. supply-side policies
D. monetary policies

2049. If interest rates rise then costs are likely to ________ and demand is likely to __________?

A. **rise, fall**
B. rise; rise
C. fall; fall
D. fall; rise

2050. An economy that trades with and has financial dealing with other countries is called a/an ________ economy?
A. free-trade
B. autarkic
C. open
D. mixed

2051. The record of country's imports and exports of goods and services is called its ?
A. visible trade balance
B. balance of trade
C. balance of payments on current account
D. balance of payments.

2052. The record of a county's transfers of shareholding property and bank deposits to and from abroad is called its ?
A. **financial account on the balance of payments.**
B. balance of payments
C. balance of payments on current account
D. capital account of the balance of payments

2053. The situation when a country imports more than it exports is ?
A. a recession
B. a trade surplus
C. a trade deficit
D. an expansion.

2054. If the exchange rate between the UK and Japan changes from £1 = 100 yen to £1 = 150 yen then ceteris paribus, the price of UK goods in Japan ?
A. will remain the same
B. will decrease
C. will increase
D. could either increase of decrease

2055. If the Pakistan takes part in a war in the Middle East, then the exchange value of its currency will tend to ?
A. **depreciate**
B. not be affected
C. fluctuate more than if it were at peace
D. appreciate

2056. If Pakistan's incomes rise faster than those in most other countries the the exchange value will tend to ?
A. fluctuate more than it would do otherwise
B. appreciate
C. depreciate
D. not be affected

2057. If a large car importer in the Pakistan wants to import many cars, then the exchange value of the Pak rupees will tend to ?
A. fluctuate more than it would do otherwise
B. appreciate
C. depreciate
D. not be affected

2058. If the economy is at the peak of the business cycle, aggregate demand ____ unemployment _______ inflation _______ and the current account of the balance of payments is likely to move towards _______?
A. rise; falls; rise; deficit
B. falls; rises; falls; surplus
C. falls; falls; falls; surplus
D. is static; low; rises; deficit

2059. If the economy is in the though phase of the business cycle, aggregate demand ____ unemployment ______ inflation ______ and the current account of the balance of payments is likely to move towards ________?
A. **falls; falls; falls; surplus**
B. falls; rises; falls; surplus
C. is static; low; rises; deficit
D. rises; falls; rises; deficit

2060. When the $/£ exchange rate rises the pound _____ and when the $/£ rates falls the pound ________?
A. depreciates, appreciates
B. revalues, devalues
C. appreciates, depreciates
D. becomes more expensive becomes cheaper

2061. In a fixed exchange rate regime, the central the exchange rate ?
A. selling, increase
B. buying reduce
C. selling, reduce
D. buying increase
E. A and B
F. C and D

2062. 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

2063. Within the circular flow of income, an increase in domestic income will tend to increase ?

A. exports

B. taxes

C. inventories

D. imports

2064. When capital mobility is perfect interest rate differentials will tend to be offset by ?

A. Price difference

B. balance of payments difference

C. current account differences

D. expected exchange rate changes

2065. Which fixed exchange rates and no private capital flows, to correct a balance of payments deficit, the central bank will ________ and _________ ?

A. buy foreign exchange, sell domestic currency

B. sell foreign exchange buy domestic currency

C. buy foreign exchange buy domestic currency

D. sell foreign exchange sell domestic currency

2066. 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

2067. The competitive advantage from a devaluation is likely to be offset by ________ and _________?

A. **higher import prices, higher wages increases**

B. lower export prices, lower imports volumes

C. higher import prices, lower export prices

D. higher wage increases lower import volumes

2068. In the short run the level of floating exchange rates is determined mainly by ?

A. interest rates

B. competitiveness

C. trade
D. speculation

2069. Floating exchange rates are ____ in the short run?
A. stable
B. predictable
C. volatile
D. depreciating

2070. Fiscal policy is weak under floating exchanges rates as fiscal expansion ?
A. crowds out imports
B. crowds out public consumption
C. crowds out exports
D. reduces the budget deficit

2071. The main features of the European Monetary system are ?
A. The ECU
B. currency swap agreement between member
C. the exchange rate mechanism
D. all of the above

2072. The single European Act committed ________ governments to a ________ in 1992?
A. **European union, single market**
B. Western European, single currency area
C. European Union, single currency area
D. Western European, single market

2073. A monetary union means ________, ________ and ________?
A. permanently fixed capital movements floating exchange rates a fixed structure of interest rates
B. permanently fixed exchange rates, free capital movements, a single interest rates
C. a common currency a single central bank, common monetary policy
D. a common currency floating exchange rates common monetary policy

2074. The Maastricht criteria for entry to the EMU are that applicants should have ?
A. low inflation
B. low interest rates
C. stable nominal exchange rates
D. budget deficits and government debt under control
E. all of the above

2075. In the EMU a country’s competitiveness can change because of ?

A. interest rate adjustment
B. central bank intervention in the Forex
C. domestic wage and price adjustment
D. devaluation

2076. What is meant by an objective ?
A. A policy
B. A way of reaching a target
C. A target
D. A strategy

2077. Which does the government not control directly ?
A. Spending on health
B. Spending on defence
C. Firms investment decisions
D. Spending on education

2078. Which of the following can the government not use directly to control the economy ?
A. **Pay rates within the private sector**
B. pay rates in the public sector
C. investment in education
D. Benefits available for the unemployed and sick

2079. Which of the following is a possible government objective as opposed to a policy ?
A. **Lower interest rates**
B. Lower taxation rates
C. Lower government spending
D. Lower inflation

2080. Reducing inflation is a more important objective than economic growth is an example of ?
A. Normative economics
B. Positive economics
C. Objective economics
D. Reality economics

2081. The labour force can be defined as ?
A. Those who could claim benefit if they were to become unemployed.
B. The population between school leaving age and retirement age.
C. anyone who is working or actively seeking work
D. Those of working age who are seeking work and are available to for work at current wage rates.

2082. An individual who is not working and who has given up looking for work is classfied as ?

A. **a discouraged worker:**
B. unemployed.
C. hard core unemployed.
D. unemployable

2083. Cyclical unemployment is the ?
A. Portion of unemployment that is due to the normal working of the labour market
B. Portion of unemployment that is due to changes in the structure of the economy that results in a significant loss of jobs in certain industries.
C. Unemployment that results when people become discouraged about their chances of finding a job so they stop looking for work.
D. Unemployment that occurs during recessions and depressions.

2084. Aggregate supply is the total amount ?
A. of products produced by a given industry.
B. produced by the government
C. of labour supplied by all households
D. of goods and services produced in an economy.

2085. Unemployment resulting from imperfect information in the labour market is called ____ unemployment?
A. **Frictional**
B. natural
C. real-wage
D. disequilibrium

2086. The demand for ice-cream is lower outside of summer causing lower demand for ice-cream salesman if they cannot find other work, this is called _______ unemployment?
A. Regional
B. structural
C. seasonal
D. demand-deficient

2087. As prices rise. People will want to keep more money as cash and in bank accounts This is called ?
A. **real balance effect.**
B. cash ratio.
C. money illusion.
D. menu costs of inflation.

2088. Government policies that focus on increasing production rather than demand are called ?
A. fiscal policies
B. monetary policies

C. supply-side policies
incomes policies

2089. Government policies that focus on changing interest rates are called ?
A. fiscal policies
B. monetary policies
C. supply-side policies
D. incomes policies

2090. If VAT rates rise, then costs are likely to ___ and demand is likely to ____?
A. rise; rise
B. rise; fall
C. fall; fall
D. fall; rise

2091. The record of country's imports and exports of goods is called its ?
A. balance of trade:
B. balance of payments
C. balance of payments on current account
D. visible trade balance

2092. The record of a country's imports and exports of of goods and services plus net investment incomes and current transfers of money to and from abroad, is called its ?
A. **balance of payments on current account**
B. visible trade balance
C. balance of trade
D. balance of payments

2093. The record of country's transfers of land inter-government payments and money sent by migrants to and from abroad is called its ?
A. balance of payments
B. capital account of the balance of payments
C. financial account of the balance of payments
D. balance of payments on current account

2094. The price of one country's currency in terms of another country's currency is the ?
A. **exchange rate**
B. balance of trade
C. terms of trade
D. currency validation

2095. **If a nation's interest rates are relatively low compared to those of other countries. then the exchange value of its currency will tend to ?**
A. not be affected
B. appreciate
C. depreciate
D. fluctuate more than if interest rates were high

2096. **If the Pakistan receives larger than expected revenues from exports then the exchange value of its currency will tend to ?**
A. not be affected
B. fluctuate more than if exports were lower
C. depreciate
D. appreciate

2097. **If currency dealers expect the value of the pound to fall, the exchange value will tend to ?**
A. **depreciate**
B. not be affected
C. fluctuate more than it would do therwise
D. appreciate

2098. **If the US economy is forecast to come out of recession because military expenditure has increase then the exchange value of the UK pound will tend to ?**
A. depreciate
B. not be affected
C. fluctuate more than it would do therwise
D. appreciate

2099. **If the economy is in the expansionary phase of the business cycle, aggregate demand ____ unemployment ____ inflation ____ payments is likely to move towards ____?**
A. falls; rise; falls; surplus
B. is static; low; rise; deficit;
C. falls; falls; falls; surplus
D. rise; falls; rises; deficit

2100. **If the economy is in the recessionary phase of the business cycle, aggregate demand ___ unemployment ____ inflation ___ and the current account of the balance of payments is likely to move towards ____?**
A. falls; falls; falls; surplus
B. is static; low; rises; deficit

C. falls; rises; falls; surplus
D. rises; falls; rises; deficit

2101. If British residents want more French francs to purchase more French cloths other things equal, then the equilibrium value of the pound against the French franc will ?
A. rise
B. fall
C. not change
D. fluctuate

2102. A current account deficit means that a country may ?
A. **reduce its stock of foreign assets**
B. increase its stock of foreign assets
C. increases its savings
D. increases its foreign currency reserves

2103. A rise in the real exchange rate will ________ the competitiveness of the domestic economy?
A. increase
B. reduce
C. do nothing to
D. None of the above

2104. perfect international capital mobility suggests that international funds will be responsive to ________ differentials?
A. current account
B. interest rate
C. tax
D. price

2105. With fixed exchange rates and no private currency flows, when the central bank buys domestic currency the domestic money supply is ?
A. increased
B. unaffected
C. reduced
D. None of these

2106. A fixed exchange rate, plus perfect capital mobility ________ the scope for monetary policy ?
A. enhances
B. undermines
C. encourages
D. facilitates

2107. 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

2108. If one country, with floating exchange rates, has higher inflation than its competitors we would expect its exchange rate to ?
A. appreciate
B. depreciate
C. revalue
D. be in short supply

2109. In the ERM, each country fixed participant Collectively the group ________ against the rest of the world?
A. **a nominal exchange rate, floated**
B. a real exchange rate, pegged
C. a purchasing power parity, pegged
D. a real exchange rate, floated

2110. All of the following are benefits of the single market except ?
A. it allows countries to exploit their comparative advantage, more fully
B. firm could more readily exploit
C. economies of scal

D. it intensified competition

E. it is easier to book holidays in member countries

2111. Economic growth is important because ?

A. People want less crime

B. People want to be happier

C. People want a better environment

D. People want higher incomes and more consumer goods.

2112. Identify below what is NOT considered to be a cause of economic growth ?

A. An increase in the quantity of labor and capital

B. An increase in labor productivity

C. An increase in the money supply

D. An increase in technology

2113. The golden-rule saving rate is the rate of saving that ?

A. gets the highest rate of interest

B. maximizes the level of long-run investment

C. maximizes the level of long-run consumption

D. maximizes human capital

2114. The percentage of the working age population that is part of the workforce is known as the ?

A. workers

B. non-slackers

C. diligent rate

D. participation rate

2115. Policies to encourage productivity do not include ?

A. **building more retail outlets**

B. encouraging risk-taking

C. encouraging innovation

D. encouraging R & D

2116. Identify below what does NOT affect productivity ?

A. Public investment in education

B. Innovation and the application of new technology

C. The phase of the lunar cycle

D. Private investment in new physical caital

2117. The idea of convergence of GDP in Europe suggests that ?

A. All countries will eventually join the EEC

B. Poorer countries have higher capital/labour ratios than richer countries.

C. The gap between countries GDP per head will widen

D. Poorer less developed countries will catch up with richer ones.

2118. The best way to achieve economic growth is to ?

A. increase government spending
B. reduce taxation
C. save more
D. increase personal consumption

2119. The long run equilibrium level of national income is the level at which ?
A. economic growth is Zero
B. All investment is used in the manufacturing sector
C. Economic growth is growing
D. All investment is used to maintain the existing capital stock at its current level

2120. The growth path resulting from technological progress for a given saving rate is known as the ?
A. **Steady state growth path**
B. Steady state invention rate
C. Steady state level of output
Unsteady state growth path

2121. The belief that the rate of growth depends upon technological progress facilitated by institutions incentives and government is known as ________ growth theory?
A. **endogenous**
B. exogenous
C. beta
D. convergence

2122. A combined measure of productivity that takes account of both labor and capital productivity is known as ?
A. total exploitation
B. labour/capital productivity
C. total factor productivity
D. total productivity

2123. Governments can stimulate productivity by ?
A. Imposing higher taxes on capital
B. encouraging more labour intensive work to reduce unemployment
C. reducing spending in education
D. encouraging private investment

2124. GDP per head may be an imperfect measure of economic welfare because it excludes ?
A. the value of leisure
B. Externalities
C. Untraded goods

D. Change in the distribution of income
E. All of the above

2125. The neoclassical theory of growth identifier the steady state rate of growth as the ____ just sufficient to keep _____ constant while labor grows?
A. saving, investment
B. capital per person, productivity
C. labor growth, output
D. investment capital per person

2126. The business cycle describes fluctuations in output around the?
A. **trend path of output**
B. boom
C. recession
D. short-run fluctuations in output

2127. All of the following are parts of the business cycle except ?
A. boom
B. slump
C. recovery
D. acceleration

2128. The multiplier accelerator model assumes ____ depends on ______?
A. consumption expected future profits
B. investment, interest rates
C. investment expected future profits
D. stock building interest rates

2129. The impossibility of negative gross investment provides a ______ to fluctuation in ______?
A. ceiling, stock building
B. ceiling, capital prices
C. floor, output
D. floor, the capital-output ratio

2130. Real business cycle theories suggest that _____ to correct departures from the desired growth path?
A. There is a role for fiscal policy
B. There is a role for monetary policy
C. There is a role for supply-side policy
D. There is a role for stabilizing output ever the business cycle

2131. An increase in the wage rate ?
A. Will usually lead to more people employed
B. Will decrease total earning if the demand for labour is wage elastic

C. is illegal in a free market
D. will cause a shift in the demand for labour

2132. A fall in demand for labour is likely to lead to ?
A. A lower equilibrium wage and lower quantity of labour
B. A lower equilibrium wage and higher quantity of labour
C. A higher equilibrium wage and higher quantity of labour
D. A higher equilibrium wage and lower quantity of labour

2133. The Marginal Revenue Product is ?
A. **Upward sloping due to the law of demand**
B. Upward sloping due to the law of marginal utility
C. Downward sloping due to the law of diminishing returns
D. Downward sloping due to the law of supply

2134. A profit maximising firm will employ labour up to the point where ?
A. Marginal revenue = marginal product
B. Marginal cost = marginal product
C. Marginal revenue product = average cost of labour
D. Marginal revenue product = marginal cost of labour

2135. If employees cannot accept a job because of the costs of moving this is known as ?
A. Occupational immobility
B. Cyclical unemployment
C. Structural immobility
D. Geographical immobility

2136. If people are made unemployed because of a fall in aggregate demand this is known as ?
A. Frictional unemployment
B. Seasonal unemployment
C. Cyclical unemployment
D. Structural unemployment

2137. The natural rate of unemployment is likely to fall if ?
A. **unemployment benefits increase**
B. Income tax increases
C. More training is available for the unemployed
D. Geographical immobility increases

2138. If there is cyclical unemployment in the economy the government might ?
A. Increase interest rates
B. Encourage savings
C. Cut taxes
D. Reduce government spending

2139. 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

2140. 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

2141. The amount of unemployment that the economy normally experiences is known as ?
A. **The natural rate of unemployment**
B. cyclical unemployment
C. efficiency wage unemployment
D. frictional unemployment

2142. Refer to Figure 1 The labour fouce is ?
A. 134.0 million
B. None of theses answers
C. 92.3 million
D. 98.0 million

2143. Refer to Figure 1. The labour force participation rate is ?
A. 47.1 Percent
B. 65.9 Percent
C. 50.2 Percent
D. 70.2 Percent

2144. A miner who has been unable to find work for so long that he has stopped looking for work is considered to be ?
A. **Not in the labour force**
B. Not in the adult population
C. Unemployed
D. Employed

2145. Which one of the following types of Unemployment results from the wage being held above the competitive equilibrium wage ?
A. **Structural unemployment**
B. Cyclical Unemployment
C. Frictional Unemployment
D. None of these answers
E. Sectoral Unemployment

2146. A reservation wage is the ?

A. Maximum wage the firm is willing to pay
B. tip necessary to get a waiter to reserve a table
C. minimum wage the worker is willing to accept
D. competitive equilibrium wage.

2147. Sector shifts tend to raise which type of unemployment ?
A. Structural Unemployment
B. Unemployment due to efficiency wages
C. Unemployment due to unions
D. Frictional Unemployment

2148. Some frictional Unemployment is inevitable because ?
A. of minimum wage laws
B. There are changes in the demand for labour among different firms.
C. Of unions
D. All of these answers
E. Efficiency wages may hold the wage

2149. Which of the following statements about efficiency wage theory is true ?
A. Paying above the competitive equilibrium wage tends to cause workers to shirk their responsibilities
B. Firms do not have a choice about whether they pay efficiency wages or not because these wages are determined by law
C. Paying the lowest possible wage is always the most efficient (Profitable)
D. Paying above the competitive equilibrium wage may improve worker health lower worker turnover improve worker quality and increase worker effort

2150. Which of the following types of unemployment will exist even if the wage is at the competitive equilibrium ?
A. Unemployment due to unions
B. Unemployment due to efficiency wages
C. Frictional Unemployment
D. Unemployment due to minimum-wage laws

2151. IF Unemployment insurance were so generous that it paid laid off workers 95 percent of their regular salary ?
A. Frictional Unemployment would fall
B. The official unemployment rate would probably understate true unemployment
C. The official unemployment rate would probably overstate true unemployment

D. There would be no impact on the official unemployment rate
E. None of these answers

2152. The Marginal Revenue Product is likely to be wage inelastic if ?
A. Labour costs are a high percentage of total costs
B. Demand for the final product is price inelastic
C. It is relatively easy to substitute capital for labour
D. There are many substitutes for the final product

2153. A decrease in the supply of labour is likely to lead to ?
A. A lower equilibrium wage and lower quantity of labour
B. A lower equilibrium wage and higher quantity of labour
C. A higher equilibrium wage and higher quantity of labour
D. A higher equilibrium wage and lower quantity of labour

2154. Demand for labour is more likely to be wage inelastic if ?
A. **Wages are a small proportion of total costs**
B. Demand for the final product is price elastic
C. It is easy to replace labour
D. Capital is a good substitute for labour

2155. In a perfectly competitive labour market firms are wage takers and the marginal cost of labour equals?
A. The average cost of labour
B. The marginal product
C. The marginal revenue
D. The total cost of labour

2156. If the minimum wage is set above the equilibrium wage rate, then another thing unchanged ?
A. **There will be equilibrium in the labour market**
B. There will excess demand in the labour market
C. There will be excess supply in the labour market
D. More people will be employed

2157. Supply side policies are most appropriate to cure ?
A. Involuntary unemployment
B. Cyclical unemployment
C. Voluntary unemployment
D. A fall in aggregate demand

2158. If the real wage is too high in the labour market ?
A. The quantity demanded of labour is higher than the quantity supplied
B. The quantity demanded of labour equals the quantity supplied
C. The quantity demanded of labour is lower than the quantity supplied
D. It will automatically adjust in the short run to bring equilibrium

2159. Occupational immobility of labour occurs if ?
A. People lack information
B. People do not want to work
C. People do not have the right skills to work
D. People cannot afford to move location

2160. Reducing involuntary unemployment ?
A. **Helps the economy move on the to Production Possibility Frontier**
B. Helps shift the economy's Production Possibility Frontier outwards
C. Helps the economy move along its Production Possibility Frontier
D. Helps the economy move inside the Production Possibility Frontier

2161. TO reduce cyclical unemployment the government might ?
A. Increase the budget surplus
B. Increase the balance of payment deficit
C. Reduce interest rates
D. Reduce government expenditure

2162. According to the Office of National Statistics UK, a husband who chooses to stay home and take care of household is ?
A. Employed
B. Not in the labour force
C. A discouraged worker
D. Unemployed

2163. Refer to Figure 1. The unemployment rate is ?
A. 3.2 Percent
B. 5.7 Percent
C. 5.8 Percent
D. Not Enough

2164. A minimum wage law tends to ?
A. Help all teenagers because they receive a higher wage than they would otherwise
B. have no impact on unemployment as long as it is set above the competitive equilibrium wage
C. Create more Unemployment is high-skill job markets than in low-skill job markets
D. Create more unemployment in low-skill job markets than in high-skill job markets

2165. If, for any reason the wage is held above the competitive equilibrium wage?
A. **The quantity of labour supplied will exceed the quantity of labour demanded and there will be Unemployment**
B. Unions will likely Strike and the wage will fall to equilibrium

C. The quantity of labour demanded will exceed the quantity of labour supplied and there will be a labour shortage
D. The quality of workers in the applicant pool will tend to fall

2166. Which of the following government policies would fail to lower the unemployment rate ?
A. Establishing worker training Programs
B. Establishing right-to-work laws
C. Reducing unemployment benefits
D. Establishing employment agencies
E. Raising the minimum wage

2167. Which of the following is an example of a reason why firms might pay efficiency wages ?
A. At equilibrium wages workers sleep when the boss is not looking because workers are not deeply concerned about being fired
B. At equilibrium wages workers often quit to find better jobs.
C. At equilibrium wages only minimally qualified workers apply for the job
D. At equilibrium wages, workers cannot afford a healthy diet so they fall asleep at work due to a lack of energy
E. All of these answers

2168. Union might increase efficiency in the case Where they ?
A. Raise the wage for insiders above the competitive equilibrium
B. Lower the wage of local outsiders
C. Offset the market power of a large firm that is the dominant employer in a region
D. Threaten a strike but don't actually follow through so there are not lost hours of work

2169. Unions tend to increase the disparity in pay between insiders and outsiders by ?
A. increasing the wage in the Unionized sector, Which may create a decrease in the supply of workers in the non-unionized sector
B. Increasing the demand for workers in the Unionized sector
C. decreasing the demand for workers in the Unionized sector
D. Increasing the wage in the Unionized sector which may create an increase in the supply of workers in the non-unionized sector

2170. If one person's consumption of a good diminishes other people's use of the good, the good is said to be ?
A. **rival**
B. a good produced by a natural monopoly

C. a common resource
D. excludable

2171. A private good is ?
A. rival but not excludable
B. not rival but excludable
C. both rival excludable
D. neither rival nor excludable

2172. A common resource is ?
A. not rival but excludable
B. both rival and excludable
C. rival but not excludable
D. neither rival nor excludable

2173. Suppose each of 20 neighbours on street values street repairs at €3000 the cost of the street repair is €40,000 which of the following statements is true ?
A. **it is efficient for the government to tax the resident €2,000 each and repair the road**
B. It is efficient for each neighbour to pay €3,000 to repair the section of street in front of his/her home
C. None of these answers are true
D. it is not efficient to have the street repaired

2174. Which of the following is an example of a public good ?
A. hot dogs at a picnic
B. Whales in the ocean
C. national defense
D. apples on a tree in a public park

2175. Suppose that requiring motorcycle riders to wear helmets reduces the probability of a motorcycle fatality from 0.3 percent to 0.2 percent over the lifetime of a motorcycle rider and that the cost of lifetime supply of helmets is Rs5000. It is efficient for the government to require riders to wear helmets if human life is valued at ?
A. Rs 150 or more
B. Rs 500,000 or more
C. Rs50,000 or more
D. Rs500 or more
E. Rs100 or more

2176. When government employ cost-benefit analysis to help them decide whether to provide a public good, measuring benefits is difficult because ?

A. there are no benefits to the public since a public good is not excludable
B. the benefits are infinite because a public good is not rival and an infinite amount of people can consume it at the same time
C. one can never place a value on human life or the environment
D. respondents to naires have little incentive to tell the truth.

2177. A negative externality affect market efficiency in a manner similar to ?
A. an excludable good.
B. a private good
C. a common resource
D. a public good.

2178. Which of the following is an example of a common resource ?
A. a firework displays
B. national defense
C. iron one
D. a national park

2179. If a person can be prevented from using a good, the good is said to be ?
A. **excludable**
B. a common resource
C. a public goods
D. rival

2180. The market power effect of an international joint venture can lead to welfare losses for the domestic economy unless offset by cost reductions. Which type of cost reduction would not lead to offsetting welfare gains for the overall economy ?
A. R&D generating welfare improved technology
B. development of more productive machinery
C. new work rules promoting workers efficiency
D. lower wages extracted from workers

2181. The migration of employable workers from low-paying nations to high-paying nations tends to decrease ?
A. total wage income in the world
B. wage disparities
C. business or capitalist income in the world
D. the productivity of labor

2182. Firms undertake multinational operations in order to ?
A. hire low-income workers
B. manufacture in nations they have difficult exporting to

C. obtain necessary factor inputs

D. All of the above

2183. American labor unions have maintained that U.S multinational corporations have been ?

A. **exporting American jobs by investing overseas**

B. exporting American jobs by keeping investment in the U.S

C. importing cheap foreign workers by shifting U.S investment overseas

D. importing cheap foreign workers by keeping U.S investment at home

2184. Which business device involves the creation of a new business by two or more companies often for a limited period of time ?

A. multinational corporation

B. international joint venture

C. horizontal merger

D. vertical merger

2185. Multinational corporations ?

A. always produce primary goods

B. always produce manufactured goods

C. produce primary goods or manufactured goods

D. None of the above

2186. ________ refers to the price charged for products sold to a subsidiary to a multinational corporation b another subsidiary in another country?

A. marginal cost pricing

B. full cost pricing

C. price discrimination

D. transfer pricing

2187. Which of the following is not an example of foreign direct investment ?

A. the construction of a new auto assembly plant overseas

B. the acquisition of an existing steel mill overseas

C. the purchase of bonds or stock issued by a textile company overseas

D. the creation of a wholly owned business firm overseas

2188. ____ was a strategy for industrial development popular in Latin America in the 1950s 1 1960s for promoting domestic production by erecting high protective tariffs on imports of manufactured goods ?

A. export led growth

2. import substitution

3. dynamic hedging
4. countervailing duties

2189. All of the following are potential advantages of an international joint venture except ?

A. sharing research and development cost among corporations
B. forestalling protectionism against imports
C. establishing work rules promoting higher labor productivity
D. operating at diseconomy-of-scale output levels

2190. Multinational corporations ?

A. **increase the transfer of technology between nations**
B. make it harder to nations to foster activities of comparative advantage
C. always enjoy political harmony in nations where their subsidiaries operate
D. require governmental subsidies in order to conduct worldwide operations

2191. Multinational corporations face problems since they ?

A. cannot benefit from the advantage of comparative advantage
B. may raise political problems in countries where their subsidiaries operate
C. can only invest at home but not overseas
D. can only invest overseas but not at home

2192. Accusations of American labor unions against U.S multinational firms include all of the following except ?

A. enjoy unfair advantage in taxation
B. export jobs by shifting technology overseas
C. export jobs by shifting investment overseas
D. operating at output levels where scale economies occur

2193. International joint ventures can lead to welfare losses when the newly established firm ?

A. adds to the pre-existing productive capacity
B. enters markets neither parent could have entered individually
C. yields cost reductions unavailable to parent firms
D. gives rise to increased amounts of market power

2194. The migration of employable workers from low-paying nations to high-paying nations will ?

A. decrease wage rates in the low-paying nations
B. decrease productivity and real output in the world
C. increase business or capitalist incomes in the high-paying nations
D. increase business or capitalist incomes in the low-paying nations

2195. The migrations of electricians from low-paying nations to high-paying nations is most likely to be challenged by ?
A. **electrician unions in the high-paying nations**
B. electrician unions in the low paying nations
C. electrician employers in the high-paying nations
D. electricians who stay in the low paying nations

2196. Guest worker programs usually result in temporary migration of workers from ?
A. impoverished countries to impoverished countries
B. impoverished countries to wealthy countries
C. wealthy countries to wealthy countries
D. wealthy countries to impoverished countries

2197. Inflation can be measured by all of the following except the ?
A. All of these answers are used to measure inflation.
B. consumer price index
C. Producer price index
D. GDP deflector
E. finished goods price index

2198. Which of the following would probably cause the CPI to rise more than the GDP deflator in the Pakistan ?
A. **An increase in the price of BMWs produced in Germany and sold in the Pakistan**
B. An increase in the price of Peugeots produced in the Pakistan
C. An increase in the price of helicopters purchased by the Pak Navy.
D. An increased in the Price of domestically produced armoured vehicles sold exclusively to Iran

2199. If there is an increase in the price of apples which causes consumers to purchase fewer kilograms of apples and more kilograms of oranges, the CPI will suffer from ?
A. none of these answers
B. substitution bias
C. base year bias
D. bias due to unmeasured quality change
E. bias due to the introduction of new goods.

2200. Suppose your income rises from Rs19,000 to Rs31,000 while the CPI rises from 122 to 169 Your standard of living has likely ?
A. fallen
B. You can't tell without knowing the base year
C. risen
D. stayed the same

2201. If inflation is 8 percent and the real interest rate is 3 percent, then the nominal interest rate must be ?
A. 3/8 percent
B. 5 percent
C. 11 percent
D. 24 percent

2202. Under Which of the following conditions would you prefer to be the borrower ?
A. The nominal rate of interest is 12 percent and the inflation rate is 9 percent
B. The nominal rate of interest is 20 percent and the inflation rate is 25 percent
C. The nominal rate of interest is 5 percent and the inflation rate is 1 percent
D. The nominal rate of interest is 15 percent and the inflation rate is 14 percent

2203. If workers and firms agree on an increase in wages based on their expectations of inflation and inflation turns out to be more than they expected ?
A. none of these answers
B. Workers will gain at the expense of firms
C. neither workers nor firms will gain because the increase in wages in fixed in the labor agreement
D. firms will gain at the expense of workers.

2204. Inflation ?
A. Reduce the cost of living
B. Reduce the standard of living
C. Reduce the price of products
D. Reduce the purchasing power of a rupee

2205. 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

2206. The effect 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

2207. In the short run unemployment may fall below the natural rate of unemployment if ?
A. Nominal wages have risen less than inflation
B. Nominal wages have risen at the same rate as inflation
C. Nominal wages have risen more than inflation
D. Nominal wages have risen less than unemployment

2208. The Phillips 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 increase
D. Unemployment

2209. In 1989, the CPI was 124.0 in 1990, it was 130.7 What was the rate of inflation over this period ?
A. **5.4 percent**
B. 30.7 percent
C. You can't tell without knowing the base year
D. 5.1 percent

2210. The "basket" on which the CPI is based is composed of ?
A. consumer production
B. Products purchased by the typical consumer
C. raw materials purchased by firms
D. total current production
E. none of these answers

2211. Refer to Figure 24-1 What is the value of the basket in the base year ?
A. Rs459.25
B. Rs418.75
C. Rs300
D. None of these

2212. If the nominal interest rate is 7 percent and the inflation rate is 3 percent, then the real interest rate is ?
A. **4 percent**
B. 10 percent
C. -4 percent
D. 3 percent
E. 21 percent

2213. Which of the following statements is correct ?
A. none of these answers
B. The nominal interest rate is the inflation rate minus the real interest rate

C. The real interest rate is the nominal interest rate minus the inflation rate
D. The nominal interest rate is the real interest rate minus the inflation rate.

2214. **Under which of the following conditions would you prefer to be the lender ?**
A. The nominal rate of interest is 15 percent and the inflation rate is 14 percent
B. The nominal rate of interest is 20 percent and the inflation rate is 25 percent
C. The nominal rate of interest is 12 percent and the inflation rate is 9 percent
D. The nominal rate of interest is 5 percent and the inflation rate are 1 percent

2215. **If borrowers and lenders agree on a nominal interest rate and inflation turns out to be less than they had expected ?**
A. neither borrowers nor lenders will gain because the nominal interest rate has been fixed by contract
B. None of these answers
C. borrowers will gain at the expense of lenders
D. lenders will gain at the expense of borrowers

2216. **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

2217. **An increase in injections into the economy may lead to ?**
A. **An outward shift of aggregate demand- and demand-pull inflation**
B. An outward shift of aggregate demand and cost push inflation
C. An outward shift of aggregate supply and demand-pull inflation
D. An outward shift of aggregate supply and cost push inflation

2218. **An increase in costs will ?**
A. Shift aggregate demand
B. Shift aggregate supply
C. Reduce the natural rate of unemployment
D. Increase the productivity of employees

2219. **Menu costs in relation to inflation refers 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

2220. According to the Phillips curve unemployment will return to the natural rate when ?
A. **Nominal wages are equal to expected wages**
B. Real wages are back at equilibrium level
C. Nominal wages are growing faster than inflation
D. Inflation is higher than the growth of nominal wages

2221. The ratio of Industrial progress in the country is ?
A. 4.3%
B. 5.4%
C. 6.2%
D. 8.6%

2222. The Chiniot city is known for its ornate brickwork and ?
A. laquer work
B. fire work
C. wooden work
D. None of them

2223. The agro based industry is ?
A. Woodwork
B. Dairy farms
C. Carpets
D. Iron work

2224. Surgical instruments are made in ?
A. **Wazirabad**
B. Sialkot
C. Lahore
D. Gujranwala

2225. Sialkot is also famous for Saddles & ?
A. **musical instruments**
B. agriculture machinery
C. harvesters
D. paper manufacturing

2226. Which city is famous for the textile mills that produce finest worsted suiting in the world ?
A. Haripur
B. Lawrencepur
C. Faisalabad
D. Karachi

2227. The biggest Industrial unit in public sector is ?

A. Karachi Shipyard
B. Pakistan Steel Mili
C. State Cement
D. Telephone Industry of Pakistan

2228. When did Pakistan launched its first space satellite Badr I largely designed and fabricated by SUPARCO ?
A. August 10, 1991
B. July 16, 1990
C. September 12, 1992
D. October 16, 1989

2229. Heavy Mechanical Complex Taxila was set up with the aid of ?
A. **China**
B. Japan
C. USA
D. UK

2230. In the year 2010-11 what was per capita income ?
A. **$ 1095**
B. $ 905
C. $ 945
D. $ 975

2231. When did Pakistan Meteorological Department Successfully experimented artificial rainfall in Thar (Sindh) ?
A. **August 3, 2000**
B. September 15, 2001
C. July 13, 2000
D. August 15, 2000

2232. The Faisalabad is also known as ?
A. Little England
B. Little California
C. Little Manchester
D. Little Oxford

2233. Which of the following is Cottage Industry ?
A. Cement
B. Sugar
C. Handicraft
D. Textile

2234. Which Pakistani city is famous for high quality sports equipment ?
A. **Sialkot**
B. Chiniot
C. Gujranwala
D. Lahore

2235. Mianwali is important for ?
A. Embroidery work
B. irrigation work
C. wood work
D. agriculture

2236. The Wah is famous for ?
A. **Ordnance factory**
B. Mughal Garden
C. Both of them
D. None of them

2237. The biggest Industry of Pakistan is ?
A. cement
B. Sugar
C. Textile
D. Paper

2238. The first nuclear power plant was set up in Karachi in ?
A. 1971
B. 1970
C. 1972
D. 1973

2239. Space Satellite Badr II was launched on December 10, 2001 when Pakistan launched Pak Sat I ?
A. December 29, 2002
B. December 25, 2002
C. January 25, 2003
D. February 15, 2003

2240. Industry is the second largest sector of the economy. How much of GDP it accounts for ?
A. 16.5%
B. 18.2%
C. 19.7%
D. 20.5%

2241. During the fiscal year 2009-10 gross fixed capital formation or domestic investment grew by ?
A. 19.8%
B. 10.3%
C. 9.2%
D. 11.5%

2242. Because in-kind transfers are not accounted for in standard measures of income distribution the standard measures of income distribution ?

A. accurately represent the true inequality of living standards
B. understate the inequality of living standards
C. exaggerate the inequality of living standards
D. could exaggerate of understate the inequality of living standards depending on whether the transfers are goods or services.

2243. A period of unemployment due to recession will ?
A. increase a worker's current income and permanent income
B. reduce a worker's current income but not necessarily their permanent income
C. affect neither the current nor the permanent income of a worker
D. reduce a worker's permanent income but not their current income

2244. If people can borrow and lend to perfectly smooth out their lifetime living standards, then ?
A. transitory income is a good measure of the distribution of living standards
B. none of these answers
C. permanent income is a good measure of the distribution of living standards.
D. life-cycle income is a good measure of the distribution of living standards.
E. current annual income is a good measure of the distribution of living standards.

2245. The maximin criterion suggested by Rawls's theory of justice means that the government should aim to ?
A. Maximize the total utility of society
B. Maximize the well-being of the worst-off person in society
C. minimize the difference between the rich and poor
D. maximize the economic freedom of individuals by minimizing government interference in private decision making
E. minimize the well-being of the best-off person in society

2246. Utilitarianism suggests that the government should choose policies that maximize the total utility of everyone in society by ?
A. redistributing income from rich to poor because this is what the members of society would choose to do if they were behind a veil of ignorance
B. redistributing income from rich to poor because due to the diminishing marginal utility of income, taking a pound from the rich reduces their utility by less than the gain in utility generated by giving a pound to the poor
C. allowing each individual to maximize their own utility without interference from the government

redistributing income from rich to poor because this would maximize the well-being of the worst-off person in society

2247. Rawls's miximin criterion does not mean that there should be redistribution so as to equalise everyone's incomes in society because ?

A. Such redistribution would mean that those who worked hard were no better off than those who were lazy and this would be unfair.

B. such redistribution would not maximize the total income of all members of society

C. Such redistribution would remove the incentive to work hard, so society's total income would fall, and so the least well off person would be worse off than they could be under a system in which there was some inequality income.

D. such redistribution would amount to confiscation of honestly earned income from higher earners and so would be unjust.

2248. Current anti-poverty programs discourage work because ?

A. **benefits are reduced at such a high rate when recipients earn more income that there is little or no incentive to work once one is receiving benefits.**

B. in order to be eligible for benefits a recipient cannot have a job

C. they make recipients more comfortable than most middle-class citizens.

D. anti-poverty programs attract naturally lazy people to begin with.

2249. The poverty trap refers to ?

A. a situation in which those receiving state benefits may be almost no better off if they choose to work more to earn more income for themselves and their families because doing so will mean they have to pay back the benefits they have previously received

B. a situation in which workers are unable to find jobs.

C. a situation in which those receiving state benefits may be almost no better off if they choose to work more to earn more because doing so will reduce the amount of benefit income to which they are entitled and increase the amount to tax

D. a situation in which those receiving state benefits are discriminated against by employers and so find it more difficult to find jobs.

2250. The idea that the demand for car workers stems from the demand for cars is ?

A. output demand

B. indirect demand

C. derived demand
D. the value of the marginal product of auto workers.

2251. The substitution effect of higher wages suggests that as the wage rate increases ?
A. leisure becomes less expensive and households buy more of it
B. leisure becomes more expensive and households buy more of it
C. leisure becomes more expensive and households buy less of it
D. leisure becomes less expensive and households buy less of it.

2252. If the income effect is smaller than the substitution effect, higher net wages will ?
A. reduce the supply of labour.
B. increase the demand for labour
C. increase the supply of labour
D. have no effect on the supply of labour

2253. Differences in wages that result from differences in working conditions are known as ?
A. occupational differentials
B. search differentials
C. job differentials.
D. compensating differentials

2254. In a competitive labour market firms will hire labour up to the point where the marginal revenue product of labour equals ?
A. total labour cost
B. the marginal product
C. the price of the product
D. the wage rate

2255. The formula for the marginal revenue product of labour (L is for labour, X is the product) is ?
A. MPL + PX
B. (MPL) (PX)
C. PX/MPL
D. MPL/PX

2256. An unemployed salesperson has been offered a job paying Rs500 a week. He turns that job down and continues to search for another job that pays more. The cost of this continued search is ?
A. the Rs500 weekly salary that he has forgone to search for another job
B. The Rs500 weekly salary that he has forgone and the monetary costs incurred by continuing to search
C. Rs difference between the weekly salary he finally accepts and the

Rs500 weekly salary that he has forgone
D. Rs0, since he is currently unemployed

2257. If labour market discrimination crowds women into a limited number of occupations so that the number of occupations available to men increases, then ?
A. wages of men will be higher but the marginal productivity of men will be lower than it otherwise would be
B. the wages of men will be lower but the marginal productivity of men will be higher than it otherwise would be
C. both the wages and the marginal productivity of men will be lower than they otherwise would be
D. both the wages and the marginal productivity of men will be higher than they otherwise would be

2258. The term 'rent' as it is used by economists. refers to ?
A. **the return to any factor of production that is in fixed supply**
B. the profit earned by the owner of any housing unit.
C. the amount paid each year by a tenant for an apartment
D. any profit earned by stockholders when they sell their stock

2259. The Gini coefficient is ?
A. **the ratio of the percentage of total income received by the top 20% of families to the percentage of total income received by by the bottom 20% of families**
B. the most common way of representing the income distribution graphically
C. a commonly used measure of the degree of inequality in an income distribution
D. a commonly used measure of the degree of inequity in an income distribution

2260. A Gini coefficient of one means that ?
A. all the income is received by the top 20% of the income distribution
B. income is distributed equally
C. the income is split equally between the top 20% and the rest of the distribution.
D. one family has all the income and every one else has nothing.

2261. Horizontal equity holds that ?
A. those with equal ability to pay should bear unequal tax burdends.
B. those who benefits the most from government services should bear the higher tax burden.
C. those who benefit the most from government services should have

the greatest voice in determining what gets produced
D. those with equal ability to pay should bear equal tax burdens.

2262. The total amount of tax you pay divided by your total income is the ?
A. average tax rate
B. marginal tax rate
C. proportional tax rate
D. total tax rate

2263. A tax whose burden is the same proportion of income for all households is ?
A. an equal tax
B. a proportional tax
C. a progressive tax
D. a regressive tax

2264. A tax whose burden expressed as a percentage of income, falls as income increases is a ?
A. benefits received tax
B. progressive tax
C. regressive tax
D. proportional tax

2265. Tax shifting ?
A. is the way in which a tax is structured
B. occurs when households can alter their behaviour and do something to avoid paying tax
C. occurs when taxes cause prices to increase but wages to fall.
D. is the ultimate distribution of a tax's burden

2266. An example of an indirect tax is ?
A. income tax
B. VAT
C. a tax on profits.
D. inheritance tax

2267. Housing Benefit is a good example of ?
A. **a means tested cash benefit**
B. a universal (social insurance based) benefit
C. a benefit in kind
D. none of the above

2268. In Pakistan the term the poverty trap is used to describe the fact that ?
A. poor people are excluded from most leisure and social activities
B. the Pakistan benefit system makes being poor vary degrading
C. if poor people earn more their benefits fall, making them no

better off.
D. in the Pakistan poor people are heavily taxed

2269. Permanent income is ?
A. Social Security income of the elderly and disabled
B. none of these answers
C. wages fixed by a union or other labour contract
D. equal to the minimum wage
E. a person's normal or average income

2270. Because people's income vary other the life cycle and because there are transitory shocks to people's incomes the standard measures of income distribution ?
A. **exaggerate the inequality of living standards**
B. could exaggerate or understate the inequality of living standards depending on whether the transitory shocks are positive or negative
C. understate the inequality of living standards
D. accurately represent the true inequality of living standards

2271. Mariam earns more than Seamus and she came by her income fairly and honestly which of the following political philosophies would argue against the redistribution of income from Mariam to Seamus ?
A. all of these answers
B. libertarianism
C. utilitarianism
D. none of these answers

2272. Rank utilitarianism liberalism, and libertarianism in sequence from the political philosophy that would redistribute income the greatest to the one that would redistribute income the least?
A. utilitarianism, liberalism, libertarianism
B. All three political philosophies argue for similar degree of income redistribution
C. liberalism, libertarianism, utilitarianism
D. libertarianism liberalism, utilarianism
E. libertariansim, utilitarianism, libertarianism

2273. Rawls's suggestion that policy should be directed at maximizing the welfare of the least well off person in society is derived from ?
A. the idea that people should consider policy as if behind a veil of ignorance as to what their circumstances might be in society, and the idea that as long as there is no theft then there is no need for governments to intervene and redistribute income.
B. the idea that people should consider policy as if behind a veil of ignorance as to what their circumstances might be in society, and the idea that people will then be particularly concerned about the

possibility that they might find themselves at the bottom of the income distribution

C. the idea that people a veil of ignorance as policy as if behind a veil of ignorance as to what their circumstances might be in society, and the ignorant people should be looked after

D. the idea that everyone in society should have an equal income

2274. An increase in the minimum wage will cause a relatively large increase in unemployment among ?

A. unskilled workers if the demand for labour is relatively inelastic

B. unskilled workers if the demand for labour is relatively elastic

C. skilled workers if the demand for labour is relatively elastic

D. skilled workers if the demand for labour is relatively inelastic

2275. The greatest advantage of a negative income tax is that it ?

A. **generates a smaller disincentive to work than most alternative anti-poverty policies.**

B. reduces the cost to the government of fighting poverty

C. would not provide benefits to lazy people

D. ensures that the poor actually receive what the government thinks they need does all these answers.

2276. Constrained choice is relevant for households ?

A. making spending decision but not labour-supply decision.

B. making both spending and labour-supply decisions

C. considered to be 'poor' but not for those who are considered to be 'rich'

D. making labour-supply decisions but not spending decisions.

2277. Assuming leisure is a normal good, if the income effect is greater than the substitution effect a wage increase ?

A. will have no effect on labour supply

B. will decreases labour supply

C. could cause either an increases or a decrease in labour supply

D. will increase labour supply.

2278. Assuming that leisure is a normal good. if an individual's labour supply curve is backward bending then the ?

A. income effect is zero

B. substitution effect outweighs the income effect

C. income effect outweighs the substitution effect

D. income effect and the substitution effects are equal

2279. As the wage rate per hour increases, the opportunity cost of leisure ?

A. remains constant
B. increases since the cost of forgoing one hour of work increases
C. decreases since the customer now has more income to spend
D. may increase of decrease depending on the individual's preferences.

2280. New technology in the form of computer spreadsheets has increased the productivity of accountants. This will cause ?
A. **the demand curve for accountants to shift to the right, since the productivity of accountants has increased**
B. firms to move up their demand curves for accountants
C. the demand curve for accountants to shift to the left, since it requires fewer accountants than it did before to do the same amount of work.
D. firms to move down their demand curves for accountants

2281. The marginal revenue product of labour is ?
A. the marginal product of capital times the price of labour.
B. the additional revenue a firm earns by employing on additional unit of labour
C. the additional profit a firms earns by employing one additional unit of labour
D. the additional revenue the firm makes by selling one unit of labour.

2282. If output price is constant, the marginal revenue product of labour curve will have the same shape as the ?
A. total variable cost curve
B. marginal cost curve
C. total product of labour curve
D. marginal product of labour curve

2283. Unemployment benefits may increase the unemployment rate because unemployment benefits ?
A. encourage people to quit their jobs
B. reduce the cost of job search
C. enable people to quit searching for work
D. reduce the benefits of additional job searching

2284. The stock of knowledge, skills and talents that people possess is called ?
A. training investment
B. skill capital
C. skill-building investment
D. human capital

2285. Supply of land in a given use ?
A. will be perfectly inelastic in the long run. but upward sloping in the short run
B. is perfectly inelastic since there is a fixed amount of land
C. is perfectly elastic since there is fixed amount of land
D. will be upward sloping because as land becomes more valuable in once use, the amount of land made available for that use will increase

2286. A Gini coefficient of zero means that the ?
A. the income is split equally between the top 20% and the rest of the distribution
B. one person has all the income and every one else has nothing
C. all the income is received by the top 20% of the income distribution
D. income is equally distributed

2287. Vertical equity holds that ?
A. those will equal ability to pay should bear equal tax burdens.
B. those who benefit the most from government service should bear the higher tax burden
C. those with equal ability to pay should bear unequal burdens
D. those with greater ability to pay should pay more

2288. The marginal tax rate is ?
A. **the tax rate you pay on any additional income that you earn.**
B. the total amount of tax you pay divided by your total income
C. the additional tax you pay divided by your total income
D. your total income divided by the total amount of tax you pay.

2289. A progressive income tax means that those with a higher income pay ?
A. **a higher percentage of their income in taxes then low income people**
B. a lower percentage of their income in taxes than low income people
C. the same percentage of their income in taxes as low income people all the taxes in the economy.
D. all the taxes in the economy

2290. Tax incidence is the ?
A. structure of the tax.
B. ultimate distribution of a tax's burden
C. behaviour of shifting the tax to another party
D. measure of the impact the tax has on employment and output

2291. Where a tax can be shifted the incidence depends on ?

A. whether there is perfect or imperfect information
B. who is legally obliged to pay the tax
C. elasticities of demand and supply
D. how many producers there are:

2292. VAT is a good example of which kind of tax ?
A. specific
B. Direct
C. Ad valorem
D. Excise duty

2293. The Benazir Benefit income Scheme is a good example of ?
A. **a benefit in kind.**
B. a means tested cash benefit
C. a universal (social insurance based) benefit
D. none of the above

2294. If a person who works in coal mine gets paid more than a person with a similar background and skills who works in a safer job, then ?
A. coal miners must have greater human capital than others
B. we have observed a compensating differential
C. coal miners must be more attractive than other workers
D. we have evidence of discrimination against workers outside the coal mine

2295. Which of the following is not part of a worker's human capital ?
A. education
B. experience
C. all of these answers are parts of a worker's human capital
D. effort
E. on the job training

2296. All of the following would tend to increase a worker's wage except ?
A. Working the night shift
B. working harder
C. more education
D. having a greater amount of natural ability
E. doing a job that is fun

2297. Human capital can be described as ?
A. the tools used by workers to enhance productivity
B. a person inherited ability
C. the stock of expertise accumulated by a worker
D. education

2298. The opportunity cost of acquiring education is ?
A. course fees
B. course fees and living expenses

C. the earnings foregone
D. Course fees living expenses and textbook

2299. Unions achieve a higher wage differential the more _____ and the more ______?
A. **inelastic the demand for labour, they can restrict the supply of labour**
B. members they have, aggressive they behave
C. the economy is growing, people prefer leisure
D. the productivity is growing vacancies exist

2300. The most important source of wage differentials are ?
A. regional variation
B. unionization
C. relative danger
D. skills

2301. In the West Women and non-whites on average receive lower incomes than white men because ?
A. they tend to work in relatively unskilled jobs
B. educational disadvantage
C. firms are reluctant to invest in training
D. all of the above

2302. Efficiency wages are ____ that raise _____?
A. low wages, employment
B. high wages, labor supply
C. high wages, productivity
D. high wages, employment

2303. the cost of using capital services is the ?
A. wage rate of capital
B. interest charges
C. marginal capital cost
D. rental rate for capital

2304. The marginal revenue product of capital is the ?
A. change in a company's balance sheet when it acquires new plant
B. additional value of output from using more capital
C. change in company's share price
D. changing value of the capital stock

2305. In the short run, the supply of capital is ________ and in the long run will depend on _______?
A. variable, technology
B. fixed, expectations
C. fixed, rental rate of capital
D. variable, interest rates

2306. Land will be allocated between competing uses so that ?
A. housing gets priority
B. industry gets priority
C. farming gets priority
D. the equilibrium rental rate equilibrium total demand with supply

2307. The functional distribution of income shows how national income is divided between ?
A. employees
B. the population
C. the factors of production
D. the working population

2308. Different capital intensity in different industries is mainly explained by _______ and ________?
A. wage differentials, skill levels
B. technology, the ease of factor substitution
C. government grants, international competition
D. patents, skill shortages

2309. If workers get a real wage increase this will likely ____ and _____?
A. encourage the use of more capital in the long run, reduce demand for all inputs
B. encourage the use of more capital increase demand for all inputs
C. encourage the use of less capital reduce demand for all inputs
D. encourage the use of less capital, reduce demand for all inputs

2310. The value of an asset depends upon ?
A. its scrap values
B. its depreciation
C. the present value of the future stream of income it can earn
D. the cost of loans

2311. The difference between gross investment and net investment is ?
A. **depreciation of the existing capital stock**
B. productive investment
C. dwellings
D. inventories

2312. Involuntary unemployment exists if workers ?
A. will not work at the offered wage
B. would work at the going wage but can't find jobs
C. will not work because the hours are anti-social
D. Are not prepared to move house to get the job

2313. By restricting labor supply a trade union can _____ and _______?

A. increase the wage, increase employment
B. maintain the wage, increase employment
C. increase the wage, lower employment
D. maintain the wage, lower employment

2314. Skilled labor is relatively scarce because ?
A. there are too few teachers
B. too few student places in higher education
C. it is costly to acquire human capital
D. teachers' salaries are too low

2315. Top footballers tend to earn more than lecturers because ?
A. footballers give more entertainment
B. lecturers are lazy
C. the labor markets are imperfect
D. top footballers are relatively scarce in relation to lecturers

2316. A profit-maximizing firm will hire labour until _____ equals the ________?
A. marginal revenue, marginal cost
B. long run marginal revenue, long run marginal cost
C. labor output ratio, capital output ratio
D. marginal cost of labor, marginal revenue product

2317. Which of the following explanations of wage differentials is not likely to be true ?
A. Men have more human capital than women
B. Employers in competitive markets are bigots
C. Men have more job experience than women
D. None of the above

2318. Which of the following is not a reason why some workers are paid above the equilibrium wage ?
A. minimum-wage laws
B. efficiency wages
C. unions
D. beauty

2319. Competitive markets tend to ?
A. Increase labor market discrimination because some workers can charge more for their services than other workers in a competitive market
B. have no impact on labour market discrimination
C. reduce labour market discrimination because non-discrimination firms will employ cheaper labour earn more profits and drive discriminating firms out of the market
D. increase labour market discrimination because bigoted employers

can charge any price they want in a competitive market to cover the cost of their discrimination

2320. In order for a market to support superstars it must have which of the following characteristics ?

A. It must be involved in professional athletics
B. Every customer must be indifferent to the price they pay, and the seller must be a competitor in the market for the product
C. Every customer must be willing to pay an enormous amount for the product and the product must be a necessity
D. Every customer must want the good supplied by the best producer and the technology must exist for the best producer to supply every customer at low cost

2321. Which of the following professionals is most likely to be able to generate the income of a superstar ?

A. the best professor
B. the best writer
C. All of these answers participate in markets that could generate a superstar
D. The best accountant
E. the best medical doctor

2322. Which of the following is true regarding the earning of attractive versus unattractive workers ?

A. Attractive people tend to earn less because attractive people are viewed as shallow and more self-absorbed and therefore, as less productive
B. Attractive people tend to earn more because they may actually have a larger value of marginal product
C. Attractive people tend to earn more because attractive people usually have greater human capital
D. Attractive people tend to earn less because attractive people usually have less human capital

2323. If two jobs require the same amount of skills and experience the job that pays the most is most likely to be the one that is ?

A. **unpleasant**
B. all these answers
C. safe
D. fun
E. easy

2324. According to the signaling view of the education ?

A. can make any worker into a superstar
B. increases human capital and the wages of workers

C. **only helps firms sort workers into high ability and low-ability workers**
D. reduces the wage gap between high-skill and low-skill workers.

2325. According to the human capital view of education ?
A. has no impact on the human capital of workers?
B. increases human capital and the wages of workers
C. can make any worker into a superstar
D. only helps firms sort workers into high ability and low-ability workers.

2326. Which of the following are not third-world regions ?
A. Latin America
B. Asia
C. Africa
D. Australia

2327. According to the Principle of absolute advantage Japan should ?
A. Export steel
B. Export DVDs
C. Exports steel and DVDs
D. There is no basis for gainful specialization and trade

2328. With International trade, what would be the maximum amount of steel that South Korea would be willing to export to Japan in exchange for each DVD ?
A. One-half ton of steel
B. One ton of steel
C. Two tons of steel
D. Two and one-half tons of steel

2329. With international trade, what would be the maximum number of DVDs that Japan would be willing to export to South Korea in exchange for each ton of steel ?
A. **One DVD**
B. Two DVDs
C. Three DVDs
D. Four DVDs

2330. If Hong Kong and Taiwan have identical production possibilities curves that are subject to increasing opportunity costs ?
A. **Trade would depend on difference in demand conditions**
B. Trade would depend on economies of large-scale production
C. Trade would depend on the use of different currencies
D. There would be no basis for gainful trade

2331. International trade is based on the nation that ?

A. Different currencies are an obstacle to international trade
B. Goods are more mobile internationally than are resources
C. Resources are more mobile internationally that are goods
D. A country's exports should always exceed its imports

2332. The classical trade theories of Smith and Ricardo predict that ?
A. Countries will completely specialize in the production of export goods
B. Considerable trade will occur between countries with different levels of technology
C. Small countries could obtain of the gains from trade when trading with large countries
D. All of the above

2333. According to the Classical theory of international trade ?
A. Only countries with low wages will export
B. Only countries with high wages will import
C. Countries with high wages will have higher prices
D. All of the above are false

2334. Absolute advantage is determined by ?
A. **actual differences in labor production between countries**
B. relative differences in labor productivity between countries
C. Both (a) and (b)
D. Neither (a) nor (b)

2335. Country A has an absolute advantage in__________?
A. Product X
B. Product Y
C. Neither X nor Y
D. Both X and Y

2336. If the countries were to trade along the lines of absolute advantage ?
A. A would export X to B
B. B would import Y from A
C. Neither country would want to trade
D. None of the above

2337. In autarky, the relative price of X, in terms of Y in A would be ?
A. 1/2 Y
B. 3/4 Y
C. 1 Y
D. 4/3 Y

2338. In autarky, the relative price of wine, in terms of beer, in country A is ?

A. 1W = 1B
B. 1W = 2B
C. 1W = 3B
D. 1W = 1/3B

2339. Country A has the comparative advantage in ?
A. **Wine**
B. Beer
C. Both wine and beer
D. Neither wine nor beer

2340. The Relative price (MRT)of S in terms of T i ?
A. 2
B. 1/2
C. 00
D. 1000

2341. If the relative price (MRT) of S were to increase, then the price line would ?
A. shift out in a parallel fashion
B. shift in a parallel fashion
C. Become steeper
D. Become flatter

2342. If a country has a bowed out (concave to the origin) production possibility frontier then production is said to be subject to ?
A. constant opportunity costs
B. decreasing opportunity costs
C. first increasing and then decreasing opportunity costs
D. increasing opportunity costs

2343. The terms of trade is given by the prices ?
A. Paid for all goods exported by the home country
B. Received for all goods exported by the home country
C. Received for exports and paid for imports
D. Of primary products as opposed to manufactured products

2344. Given free trade, small nations tend to benefit the most from trade since they ?
A. Are more productive than their large trading partners
B. Are less productive than their large trading partners
C. Have demand preferences and income levels lower than their large trading partners
D. Realize terms of trade lying near the MRTs of their large trading partners

2345. In autarky equilibrium ?

A. Production equals consumption
B. Exports equal imports
C. there is no trade
D. All of the above

2346. If the autarky price of S were lower in country A than in country B then if trade were allowed ?
A. **A would likely export S to B**
B. A would likely import S from B
C. neither country would want to trade
D. None of the above

2347. John Stuart Mill was the founder of the ?
A. **Theory of reciprocal demand**
B. Theory of absolute advantage
C. Theory of comarative advantage
D. Theory of mercantilism

2348. G. MacDougal compared export ratios and labor productivity ratios for the United States and the United Kingdom in order to test the:
A. **Ricardian theory of comparative**
B. Heckscher Ohl in theory of comparative advantage
C. Linder theory of overlapping demand all of the above
D. None of these

2349. G. MacDougall's empirical results can be interpreted as ?
A. evidence against the classical model
B. evidence against the Heckscher-Ohlin model
C. Support for the Ricardian modal
D. Support for the Heckscher-Ohlin model

2350. The opportunity cost of one DVD in South Korea is ?
A. One-half ton of steel
B. One ton of steel
C. One and one-half tons of steel
D. Two tons of steel

2351. According to the principle of comparative advantage ?
A. **South Korea should export steel**
B. South Korea should export steel and DVDs
C. Japan should export steel
D. Japan should export steel and DVDs

2352. The earliest statement of the principle of comparative advantage is associated with ?
A. Adam Smith
B. David Ricardo

C. Eli Heckscher
D. Berti IOhlin

2353. If the international terms of trade settle at a level that is between each country's opportunity cost ?
A. There is no basis for gainful trade for either country
B. Both countries gain from trade
C. Only one country gains from trade
D. One country gain and the other country loses from trade

2354. Mercantilism ?
A. Is the philosophy of free international trade?
B. Was a system of export promotion and barriers to imports practiced by governments?
C. Was praised by Adam Smith in the Wealth of Nations
D. Both (a) and (c)

2355. The gains from international trade are closely related to ?
A. The labor theory of value
B. How much the autarky price differs from international terms of trade change
C. The fact that a country must lose from trade
D. All of the above

2356. In the classical model of Ricardo, the direction of trade is determined by ?
A. Absolute advantage
B. Comparative advantage
C. Physical advantage
D. Which way the wind blows

2357. Comparative advantage is determined by ?
A. actual differences in labor productivity between countries
B. relative differences in labor productivity between countries
C. Both (a) and (b)
D. Neither (a) nor (b)

2358. Country B has an absolute advantage in ?
A. **Product X**
B. Product Y
C. Neither X nor Y
D. Both X and Y

2359. If countries were to trade along the lines of comparative advantage ?
A. A would export X to B
B. A would export Y to B

C. Neither country would want to trade
D. None of the above

2360. Country A has an absolute advantage in ?
A. Beer
B. Wine
C. Both products
D. neither products

2361. In autarky the relative price of wine, in terms of beer, in Country B is ?
A. 1W = 3B
B. 1W = 4 1/2B
C. 1W = 5B
D. 1W = 6B

2362. Country B has the comparative advantage in ?
A. Wine
B. Beer
C. Both wine and beer
D. Neither wine nor beer

2363. The relative price (MRT) of T in terms of S is ?

2364. 0
A. **2**
B. 1/2
C. 500
D. 1000

2365. If the relative Price (MRT) of T were to increase, then the price line would ?

2366. 0
A. **Shift out in a parallel fashion**
B. shift in a parallel fashion
C. become steeper
D. Become flatter

2367. If a country has a liner (downward sloping) production possibilities frontier, then production is said to be subjected to ?

2368. 0
A. **constant opportunity costs**
B. decreasing opportunity costs
C. first increasing and then decreasing opportunity costs
D. increasing opportunity costs

2369. Which countries terms of trade improved between 1990 and 2000 ?

2370. 0
A. **Mexico and Denmark**
B. Sweden and Denmark
C. Sweden and Spain
D. Mexico and Sweden

2371. In aukarky, when a community maximizes its standard of living, its production and consumption point is ?
A. below the production possibility frontier
B. On the production possibility frontier
C. above the production possibility frontier
D. can’t tell without more information

2372. In autarky, when a community maximizes its standard of living its production point is ?
A. below the production possibility frontier
B. on the production possibility frontier
C. above the production possibility frontier
D. can’t tell without more information

2373. Under free trade, Canada would not realize any gains from trade with Sweden if Canada ?
A. **Trades at Canada’s marginal rate of transformation**
B. Trade at Sweden’s marginal rate of transformation
C. Specializes completely in the production of its export good
D. Specializes partially in the production of its exports goods

2374. Dynamic gains from trade could result from ?
A. The stimulus of additional investment spending as market open
B. Economies of large scale production as markets open
C. Additional competition made possible by the opening of markets
D. All of the above

2375. G. MecDougall showed in his tests that ?
A. relatively higher U.S labor productivity was associated with relatively higher U.K export ratios
B. relatively high U.K labor productivity was associated with relatively higher U.K export ratios
C. Labor productivity ratios and export ratios were not associated with each other
D. None of the above

B. **The most widely traded currency in the foreign exchange market is the ?**
C. euro
3. Chinese Yuan

4. British pound
5. U.S dollar

2376. **Suppose that a Swiss television set that costs 400 francs in Switzerland cost $200 in the United States. The exchange rate between the franc and the dollar is ?**
A. **2 francs per dollar**
B. 1 franc per dollar
C. $2 per franc
D. $3 per franc

2377. **Under a system of floating exchange rates the pound would depreciate in value if there occurs ?**
A. Price inflation in the United States
B. an increase in U.S real income
C. a decrease in the British money supply
D. falling interest rates in Britain

2378. **During the era of dollar appreciation from 1981 to 1985 a main reason why the dollar did not fall in value was ?**
A. **flows of foreign investment into the United States**
B. rising price inflation in the United States
C. a substantial decrease in U.S imports
D. a substantial increase in U.S exports

2379. **The largest volume of foreign exchange trading takes place in ?**
A. China
B. Germany
C. United Kingdom
D. USA

2380. **Speculators in foreign exchange markets do all of the following except ?**
A. attempt to profit by trading on expectations about future currency prices
B. bear risk as they attempt to _____ beat the market||
C. attempt to buy currency at a low price and later resell that currency at a higher price
D. Simultaneously buy a currency at a low price and sell that currency at a higher price, making a riskless profit

2381. **All currencies other than the domestic currency of a given country are referred to as ?**
A. hard currency
B. foreign exchange
C. reserve currencies
D. near monies

2382. In 1971, most countries ?
A. adopted a new system of fixed exchange rates
B. gave up trying to fix exchange rates formally and began allowing them to be determined essentially by supply and demand
C. adopted single internationally accepted currency whose use is limited to international transactions
D. returned to the gold standard

2383. If the Bank of England reduces the money supply to reduce inflation a floating exchange rate will aid the Bank of England in fighting inflation because ?
A. as the money supply is decreased the interest rate will increase and the price of UK exports will rise and the Price of UK imports will fall
B. as the money supply is decreased the interest rate will increase, and the price of UK exports will fall and the price of UK imports will rise
C. as the money supply is decreased the interest rate will increase and the price of UK exports and UK imports will fall.
D. as the money supply is decreased the interest rate will increase and the price of both UK exports and UK imports will rise

2384. Expansionary monetary policy ?
A. tends to lead to an appreciation of a nation's currency
B. tends to lead to a depreciation of a nation's currency
C. usually has no effect on a currency's exchange value
D. tends to lead to a depreciation of the currencies of other nations

2385. The fall in value of one currency relative to another is ?
A. **a depreciation of a currency**
B. a strengthening of a currency
C. a floating of a currency
D. an appreciation of a currency

2386. The theory of international exchange that holds that exchange rates adjust to offset differences in countries inflation rates in the ?
A. price feedback theory
B. trade feedback theory
C. J-curve theory
D. purchasing power parity theory

2387. If a nation's interest rates are relatively low compared to those of other countries then the exchange value of its currency will tend to ?
A. depreciate under a system of fixed exchange rates
B. depreciate under a system of floating exchange rates

C. appreciate under a system of floating exchange rates
D. appreciate under a system of floating fixed rates

2388. The J-curve effect refers to the observation that ?
A. GDP usually decreases before it increases after a currency depreciation
B. the trade balance usually gets worse before it improves after a currency depreciation
C. the trade balance usually gets better before it gets worse after a currency appreciation
D. GDP usually decreases before it increases after a currency appreciation

2389. The supply of foreign currency tends to be ?
A. **upward sloping**
B. downward sloping
C. vertical
D. any of the above

2390. In the early eighties, the Federal Reserve pursed a tight monetary policy. All else being equal. the impact of that policy was to interest rates in the United States relative to those in Europe and cause the dollar to _______ against European currencies?
A. decrease; depreciate
B. decrease; appreciate
C. increase; depreciate
D. increase; appreciate

2391. A depreciation of the dollar will have its most pronounced impact on imports if the demand for imports is ?
A. constant
B. inelastic
C. elastic
D. Unitary elastic

2392. Which financial instrument provides a buyer the right to purchase or sell a fixed amount of currency at a prearranged price, within a few days to a couple of years ?
A. letter a credit
B. foreign currency option
C. cable transfer
D. bill of exchange

2393. Given the foreign currency market for the Swiss franc, the supply of franc slopes upward, because as the dollar price of the franc rises ?
A. America's demand for Swiss merchandise rises
B. America's demand for Swiss merchandise falls

C. Switzerland's demand for American merchandise rises
D. Switzerland's demand for American merchandise falls

2394. Suppose there occurs an increase in the Canadian demand for Japanese computers This results in a (an) ?
A. **increase in the demand for yen**
B. decrease in the demand for yen
C. increase in the supply of yen
D. decrease in the Supply of yen

2395. The reduction or covering of foreign exchange risk is called ?
A. **hedging**
B. speculation
C. intervention
D. arbitrage

2396. The least common type of transaction in the foreign exchange is a ?
A. **forward transaction**
B. spot transaction
C. swap transaction
D. None of the above

2397. The difference between bid (buying) rates and ask (selling) rates is called the ?
A. profit
B. arbitrage
C. spread
D. forward transaction

2398. The essential feature of a _______ is that it immediately fixed the rate at which a specified amount of one currency is to be delivered in exchange for a specific amount of another at a future date ?
A. **forward contract**
B. spot contract
C. money contract
D. bid contract

2399. Suppose that Boeing is to receive payment in euros in 6 month and wants to engage in hedging the firm would _______ euros on the 6-month forward market in order to protect itself from a/an of the euro?
A. sell; appreciation
B. sell; depreciation
C. buy; depreciation
D. buy; appreciation

2400. If the exchange rate is 11 Mexican pesos per U.S dollar, then it takes _______ to buy 1 peso?

A. **$0.0909**
B. $0.1002
C. $0.2826
D. $1.1024

2401. Currency speculation is _____ if speculators bet against market forces that cause exchange fluctuations, thus moderating such fluctuations ?
A. destabilizing
B. stabilizing
C. inflationary
D. deflationary

2402. A difference between forward and futures contracts is that ?
A. forward contracts occur in a specific locations-for example, the Chicago Mercantile Exchange
B. futures contracts have negotiable delivery dates
C. forward contracts can be tailored in amount and delivery date to the need of importers of exporters
D. futures contracts involve no brokerage fees or other transactions costs

2403. The price of one country's currency in terms of another country's currency is the ?
A. **exchange rate**
B. balance of trade
C. terms of trade
D. currency valuation

2404. The agreements that were reached at the Bretton Woods conferences in 1944 established a system ?
A. **of essentially fixed exchange rates under which each country agreed to intervene in the foreign exchange market when necessary to maintain the agreed upon value of its currency**
B. in which the value of currencies was fixed in terms of a specific number of ounces of gold, which in turn determined their values in international trading
C. of floating exchange rates determined of the supply and demand of one nation's currency relative to the currency of other nations
D. That prohibited governments from intervening in the foreign exchange markets

2405. Exchange rates that are determined by the unregulated forces of supply and demand are ?
A. **floating exchange rates**
B. pegged exchange rates
C. managed exchange rates
D. fixed exchange rates

2406. A fiscal expansion in the UK ?

A. has no predictable effect on the price of the pound sterling?
B. does not affect the price of the pound sterling
C. tends to appreciate the pound sterling
D. tends to depreciate the pound sterling

2407. The rise in value of one currency relative to another is ?
A. a weakening of a currency
B. A depreciation of a currency
C. An appreciation of a currency
D. a debasement of a currency

2408. Under a system of floating exchange rates there is a general tendency for ?
A. exchange rates to be insensitive to the differential rates of inflation between countries
B. the currencies of relatively high-inflation countries to depreciate
C. the currencies of relatively high inflation countries to appreciate
D. the currencies of relatively low inflation countries to depreciate

2409. Fiscal Policy refers to ?
A. The government regulation of financial intermediaries
B. The spending and taxing policies used by the government to influence the economy
C. The actions of the central bank in controlling the money supply
D. The government's attitude to taxation

2410. Automatic stabilisers act to ____ government expenditures and ____ government revenues during recessions ?
A. increase: increase
B. decrease; decrease
C. increase; decrease
D. decrease; increase

2411. The negative effect on the economy that occurs when average tax rates increase because taxpayers have moved into higher income brackets during an expansion is ?
A. debt burden
B. the Laffer curves
C. bracket creep
D. fiscal drag

2412. Time lags which often erode effectiveness of monetary and fiscal policy measures represent ?
A. **delays in the response of the economy is stabilization policy**
B. the foreign response to price changes

C. the change in exports and imports prices
D. the change in exchange rates

2413. The response lag of stabilization policy represents ?
A. the time that it takes for policy makers to recognize the existence of boom of bust
B. the time needed for parliament to agree to a tax cut.
C. the time that is necessary to put the desired policy into effect
D. the time that it takes for the economy to adjust to the new conditions after a new policy has been implemented

2414. The multiple by which total deposits can increase for every pound increase in reserves is the ?
A. **Money multiplier**
B. liquidity ratio
C. bank's line of credit
D. required reserve ratio

2415. The idea that the money supply should change to accommodate changes in aggregate demand is associated with the idea of ?
A. Margaret Thatcher
B. Ronald Reagan
C. Milton Friedman
D. John Maynard Keynes

2416. By financial crowding out economist mean ?
A. credit rationing
B. government borrowing drives up interest rates
C. Bank of England controls on commercial bank lending
D. what the government borrows cannot be used for private investment

2417. If the state Bank of Pakistan wished to pursue an expansionary monetary policy it would ?
A. increase the minimum reserve asset ratio.
B. buy government securities on the open market
C. raise interest rates
D. sell government securities on the open market

2418. By controlling the monetary base economists mean ?
A. **making banks keep a certain % of their assets as M0**
B. controlling the money multiplier
C. restricting the amount of cash in circulation
D. not allowing commercial banks to issue notes and coins

2419. Fiscal drag occurs when ?
A. **Tax bands do not increase with inflation**
B. Tax rates move inversely with inflation

C. Government spending falls to reduce aggregate demand
D. Tax banks increase with inflation

2420. Imagine there is no tax on income up to Rs 1000 after that there is a tax of 505 what is the average tax rate on an income of Rs 20,000 ?
A. Rs 50000
B. 20%
C. 25%
D. Rs 10000

2421. The marginal rate of tax paid is ?
A. The total tax paid / total income
B. Total income / total tax paid
C. Change in the tax paid / change in income
D. Change in income / change in tax paid

2422. The public Sector Net Cash Requirement (PSNCR) is ?
A. A measure of the country's trade position
B. A measure of the country's budget position
C. A measure of the country's total debt
D. A measure of the government's monetary stance

2423. As an economy grows ?
A. The government's budget position should automatically improve
B. The government's budget position should automatically worsen
C. This will have no effect on the government's budget position
D. This will reduce the government's tax revenue

2424. Net taxes are ?
A. taxes paid by firms and households to the government minus the cost of collecting the taxes
B. Taxes paid firms and households to the government minus the transfer payments made to firms and household
C. Taxes paid by firms and households to the government plus transfer payments made to firm and households
D. government expenditures minus government revenues

2425. Automatic stabilizers act to ______ government expenditures and ________ government revenue during an expansionary period?
A. increase; increase
B. decrease; increase
C. increase; decrease
D. decrease; decrease

2426. The budget deficit tends to decrease then ?
A. GDP decrease rapidly
B. GDP remains unchanged

C. GDP decrease slightly
D. GDP increase

2427. The implementation lag for monetary policy is generally ?
A. the same as it is for fiscal policy
B. much shorter than it is for fiscal policy
C. mush longer than it is for fiscal policy
D. unrelated to central bank action

2428. The parable of Riding a Switchback suggest that stabilizing policy ?
A. is not sufficiently stimulating or contracting the economy at any time
B. is effective
C. is stimulating or contracting the economy at the wrong times
D. is desirable

2429. As the required reserve ratio is decreased the money multiplier ?
A. could either increase or decrease
B. decrease
C. increase
D. remain the same, as long as bank hold no excess reserves

2430. Goodhart's Law suggests that ?
A. bad money drives out good
B. monetary policy can only be effective if it is a long-term policy
C. controlling one part of the money supply will merely result in that item becoming less important
D. the money supply must only expand at the rate of growth of real national income

2431. If the State Bank of Pakistan wished to pursue a tight monetary policy it would ?
A. reduce the minimum reserve asset ratio.
B. buy government securities on the open market
C. lower interest rates
D. sell government securities on the open market

2432. Over-funding is when the State Bank of Pakistan ?
A. sells less government bonds than are required to finance the PSBR
B. sells more government bonds than are required to finance the PSBR
C. sells government securities on the open market
D. buys government securities on the open market

2433. A reflationary (expansionist) fiscal policy could include ?
A. Lower interest rates
B. Increased lending by the banks

C. An increase in corporation tax
D. An increase in discretionary government spending

2434. If the marginal rate of tax is 40% and consumers income increase from Rs10,000 to Rs12,000 ?
A. The amount of tax paid will increase by Rs4,800
B. The amount of tax paid will increase by Rs4,000
C. The amount of tax paid will increase by Rs 800
D. The total tax paid will be Rs4,800

2435. If the economy grows the government's budget position will automatically ?
A. **worsen**
B. Improve
C. Stay the same
D. Increase with inflation

2436. In a regressive tax system ?
A. The amount of tax paid increase with income
B. The marginal rate of tax decrease with more income
C. The average rate of tax falls as income increase
D. The average rate of tax is constant as income increases

2437. A government might use tax to ?
A. Discourage consumption of positive externalities
B. Discourage consumption of public goods
C. Discourage consumption of merit goods
D. Discourage consumption of negative externalities

2438. An externality is ?
A. the benefit that accrues to the buyer in a market
B. the cost that accrues to the seller in a market
C. none of these answers
D. the compensation paid to a firm's external consultants.
E. The uncompensated impact of one person's actions on the well-being of a bystander

2439. A positive externality generates ?
A. a social cost curve that is above the supply curve (private cost curve) for a good
B. none of these answers
C. a social value curve that is above the demand curve (private value curve) for good
D. a social value curve that is below the demand curve (private value curve) for a good

2440. A positive externality (that has not been internalized) caused the ?

A. equilibrium quantity to exceed the optimal quantity
B. equilibrium quantity to equal the optimal quantity
C. optimal quantity to exceed the equilibrium quantity
D. equilibrium quantity to be either above or below the optimal quantity

2441. The government engages in a technology policy ?
A. by allocating tradable technology permits to high technology industry.
B. to internalize the positive externality associated with technology-enhancing industries.
C. to help stimulate private solution to the technology externality
D. to internalize the negative externality associated with industrial pollution

2442. The most efficient pollution control system would ensure that ?
A. the regulators decide how much each polluter should reduce its pollution.
B. no pollution of the environment is tolerated
C. each polluter reduces its pollution an equal amount
D. the polluters with the lowest cost of reducing pollution reduce their pollution the greatest amount

2443. To internalize a positive externality an appropriate public policy response would be to ?
A. ban the good creating the externality
B. tax the good
C. subsidize the good
D. have the government produce the good until the value of an additional unit is zero

2444. Roberto and Thomas live in a university hall of residence Roberto values playing loud music at a value of €100. Thomas values Pease and quiet at a value of €150. Which of the following statements is true ?
A. **It is efficient for Roberto to stop playing loud music regardless of who has the property right to the level of sound**
B. it is efficient for Roberto to continue to play loud music
C. It is efficient for Roberto to stop playing loud music only if Thomas has the property right to peace and quiet
D. It is efficient for Roberto to stop playing loud music only if Roberto has the property right to play loud music

2445. Which of the following is true regarding tradable pollution permits and Pigouvian taxes ?

A. All of these answers are true
B. Pigouvian taxes and tradable pollution permits create an efficient market for pollution.
C. Tradable pollution permits efficiently reduce pollution only if they are initially distributed to the firms that can regulator pollution at the lowest cost.
D. To set the quantity of pollution with tradable pollution permits, the regulator must know everything about the demand for pollution rights.
E. Pigovian taxes are more likely to reduce pollution to a targeted amount than tradable pollution permits.

2446. A pigovian tax on pollution ?
A. Sets the quantity of pollution
B. reduces the incentive for technological innovations to further reduce pollution
C. Sets the price of pollution
D. determines the demand for pollution rights.

2447. When wealthy alumni provide charitable contributions to their universities to reduce the tuition payments of current students it is an example of ?
A. **an attempt to internalize a positive externality**
B. an attempt to internalize a negative externality
C. a Pigouvian tax
D. a command-and-control policy

2448. Suppose an industry emits a negative externality such a pollution and the possible methods to internalize the externality are command-and-control policies, pigovian taxes, and tradable pollution permits. If economists were to rank these methods for internalizing a negative externality based on efficiency ease of implementation and the incentive for the industry to further reduce pollution in the future, they would probably rank them in the following order (from most favored to least favored) ?
A. Pigouvian taxes, command-and-control policies, tradable pollution permits.
B. tradable pollution permits, Pigouvian taxes, command-and-control policies
C. tradable pollution permits command-and-control policies, Pigovian taxes.
D. command-and-control policies, tradable pollution permits, Pigovian taxes.
E. They would all rank equally high because the same result can be obtained from any one of the policies

2449. A negative externality generates ?

A. **a social cost curve that is below the supply curve (private cost curve) for a good**

B. none of these answers

C. a social cost curve that is below the supply curve (private cost curve) for a good

D. a social value curve that is above the demand curve (private value curve) for a good

2450. A negative externality (that has not been internalized) causes the ?

A. optimal quantity to exceed the equilibrium quantity.

B. equilibrium quantity to be either above or below the optimal quantity

C. equilibrium quantity to equal the optimal quantity

D. equilibrium quantity to exceed the optimal quantity

2451. To internalize a negative externality an appropriate public policy response would be to ?

A. have the government take over the production of the good causing the externality

B. ban the production of all goods creating negative externalities

C. tax the good

D. subsidize the good

2452. When an individual buys a car in a congested urban area, it generates ?

A. a positive externality

B. a technology spillover

C. an efficient market outcome.

D. a negative externality

2453. According to the Coase theorem, private parties can solve the problem of externalities if ?

A. **there are no transaction costs.**

B. each affected party has equal power in the negotiations.

C. the party affected by the externality has the initial property right to be left alone.

D. There are a large number of affected parties.

E. the government requires them to negotiate with each other

2454. Which of the following is not considered a transaction cost incurred by parties in the process of contracting to eliminate a pollution externality ?

A. costs incurred due to lawyers' fees

B. costs incurred to reduce the pollution

C. costs incurred to enforce the agreement

D. costs incurred due to a large number of parties affected by the externality
E. All of these answers are considered transaction costs

2455. Roberto and Thomas live in a university hall of residence. Reberto values playing loud music at a value of €100. Thomas values peace and quiet at a value of €150. Which of the following statements is true about an efficient solution to this externality problem if Roberto has the right to play loud music and if there are no transaction costs ?

A. Thomas will pay Roberto between €100 and €150 and Roberto will continue to play loud music
B. Roberto will pay Thomas €150 and Roberto will continue to play loud music
C. Thomas will pay Roberto between €100 and €150 and Roberto will stop playing loud music
D. Roberto will pay Thomas €100 and Roberto will stop playing loud music

2456. The gas-guzzler tax that is placed on new vehicles that are very fuel inefficient is an example of ?

A. a tradeable pollution permits.
B. an attempt to internalize a positive externality
C. an application of the Coase theorem
D. an attempt to internalize a negative externality.

2457. Tradable pollution permits ?

A. reduce the incentive for technological innovations to further reduce pollution.
B. set the price of pollution.
C. determine the demand for pollution rights.
D. Set the quantity of pollution

2458. The exchange rate system that best characterizes the present international monetary arrangement used by industrialized countries is ?

A. freely fluctuating exchange rates
B. adjustable pegged exchange rates
C. managed floating exchange rates
D. pegged or fixed exchange rates

2459. Which exchange rate mechanism calls for frequent redefining of the par value by small amounts to remove a payments disequilibrium ?

A. dual exchange rate
B. adjustable pegged exchange rates

C. managed floating exchange rates
D. crawling pegged exchange rates

2460. Under adjustable pegged exchange rates, if the rate of inflation in the United States exceeds the rate of inflation of its trading partners ?
A. U.S exports tend to rise, and imports tend to fall
B. U.S imports tend to rise, and exports tend to fall
C. U.S foreign exchange reserves tend to rise
D. U.S foreign exchange reserves remain constant

2461. Which exchange rate system does not require monetary reserves for official exchange rate intervention ?
A. **floating exchange rates**
B. pegged exchanged rates
C. managed floating exchange rates
D. dual exchange rates

2462. Small nations with more than one major trading partner tend to peg the value of their currencies to ?
A. gold
B. silver
C. a single currency
D. a basket of currencies

2463. Which exchange rate system involves a leaning against the wind|| strategy in which short-term fluctuations in exchange rates are reduced without adhering to any particular exchange rate over the long run ?
A. pegged of fixed exchange rates
B. adjustable pegged exchange rates
C. managed floating exchange rates
D. free floating exchange rates

2464. Which exchange rate mechanism in intended to insulate the balance of payments from short-term capital movements while providing exchange rate stability for commercial transactions ?
A. **dual exchange rates**
B. managed floating exchange rates
C. adjustable pegged exchange rates
D. crawling pegged exchange rates

2465. Under managed floating exchange rates if the rate of inflation in the United States is less than the rate of inflation of its trading partners the dollar will likely ?
A. **appreciates against foreign currencies**
B. depreciates against foreign currencies

C. be officially revalued by the government
D. be officially devalued by the government

2466. Under a pegged exchange rate system which does not explain why a country would have a balance of payments deficit ?
A. very high rates of inflation occur domestically
B. foreigners discriminate against domestic products
C. technological advance is superior abroad
D. the domestic currency is undervalued relative to other currencies

2467. Small nations whose trade and financial relationships are mainly with a single partner tend to utilize ?
A. **pegged exchange rates**
B. freely floating exchange rates
C. managed floating exchange rates
D. crawling exchange rates

2468. The relationship 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

2469. If a Big Mac hamburger sells for the same dollar value in New York as in London then ?
A. the inflation rate in each country will necessarily equal zero
B. the inflation rate in each country will necessarily equal 1 percent
C. the exchange rates are said to be fixed pegged to each other
D. purchasing power parity holds

2470. Relatively high real interest rates in the United States tend to ?
A. decrease the foreign demand for dollars causing the dollar to depreciate
B. decrease the foreign demand for dollars causing the dollar to appreciate
C. increase the foreign demand for dollars causing the dollar to depreciate
D. increase the foreign demand for dollars causing the dollar to appreciate

2471. In the presences of purchasing power parity, if one-dollar exchanges for 2 British pounds and if a DVD player costs $400 in the United States then in Britain the DVD player should cost ?
A. 200 pounds
B. 400 pounds

C. 600 pounds
D. 800 pounds

2472. A primary reason that explains the appreciation in the value of U.S dollar would be ?
A. large trade surpluses for the United States
B. high inflation rates in the United States
C. lack of investor confidence in U.S money policy
D. high interest rates in the United States

2473. When the price of foreign currency (i.e the exchange rate) is below the equilibrium level ?
A. **an excess demand for that currency exists in the foreign exchange market**
B. an excess supply of the currency exists in the foreign exchange market
C. the demand for foreign exchange shifts outward to the right
D. the demand for foreign exchange shifts backward to the left

2474. The appreciation in the value of the dollar in the early 1980s is explained by all of the following except ?
A. the United States being considered a safe haven by foreign investors
B. relatively high real interest rates in the United States
C. confidence of foreign investors in the U.S economy
D. relatively high inflation rates in the United States

2475. If Canada runs a balance of payments surplus and exchange rates are floating ?
A. the value of other currencies will rise relative to the dollar
B. the dollar will depreciate relative to other currencies
C. the price of foreign goods will become cheaper to Canadians
D. the price of foreign goods will rise for Canadians

2476. The exchange value of the U.S dollar is primarily determined by ?
A. the rate of inflation in the United States
B. the number of dollars printed by the U.S government
C. the international demand and supply for dollars
D. the monetary value of gold held at Fort Knox, Kentucky

2477. For the United States suppose the annual interest rate on government securities equals 8 percent while the annual inflation rate equals 4 percent, For Switzerland the annual interest rate on government securities equal 10 percent while the annual inflation rate equals 7 percent the above variables would cause investment funds to flow from ?

A. the United States to Switzerland causing the dollar to depreciate
B. the United States to Switzerland causing the dollar to appreciate
C. Switzerland to the United States causing the franc to depreciate
D. Switzerland to the United States causing the franc to appreciate

2478. Given a system of floating exchange rates rising income in the United States would trigger a (an) ?
A. **increasing in the demand for imports and an increasing in the demand for foreign currency**
B. increase in the demand for imports and decrease in the demand for foreign currency
C. decrease in the demand for imports and an increase in the demand for foreign currency
D. decrease in the demand for imports and a decrease in the demand for foreign currency

2479. Under a system of floating exchange rates relatively low productivity and high inflation rates in the United States results in a (an) ?
A. **increase in the demand for foreign currency a decrease in the supply of foreign currency and a depreciation in the dollar**
B. increase in the demand for foreign currency an increase in the supply of foreign currency and a appreciation in the dollar
C. decrease in the demand for foreign currency a decrease in the supply of foreign currency and a depreciation in the dollar
D. decrease in the demand for foreign currency and increase in the supply of foreign currency and a appreciation in the dollar

2480. Under a system of floating exchange rates relatively high productivity and low inflation rates in the United States results in a (an) ?
A. increase in the demand for foreign currency a decrease in the supply of foreign currency and a depreciation in the dollar
B. increase in the demand for foreign currency an increase in the supply of foreign currency and a appreciation in the dollar
C. decrease in the demand for foreign currency a decrease in the supply of foreign currency and a depreciation in the dollar
D. decrease in the demand for foreign currency an increase in the supply of foreign currency and a appreciation in the dollar

2481. Which example of market expectations causes the dollar to depreciate against the yen – expectation that the U.S economy will have ?
A. **faster growth than Japan**
B. higher future interest rates than Japan

C. more rapid money supply growth than Japan
D. lower inflation rates than Japan

2482. Starting from a position where the nation's money demand equals the money supply and its balance of payments is in equilibrium economic theory suggests that the nation's balance of payments would move into a surplus position if there occurred in the nation a (an) ?
A. **increase in the money demand**
B. decrease in the money demand
C. increase in the money demand
D. None of the above

2483. Suppose that rising U.S income leads to higher sales and profits in the United States This would likely result in ?
A. increasing portfolio investment into the United States
B. decreasing portfolio investment into the United States
C. increasing direct investment into the United States
D. decreasing direct investment into the United States

2484. Suppose that the purchasing power parity estimate of the dollar/euro exchange rate is $1.30 per euro, and the current spot rate is $1.3 8 per euro. Comparing these two exchange rates from a long-run viewpoint you would ?
A. anticipate the dollar to depreciate against the euro
B. anticipate the dollar to appreciate against the euro
C. anticipate the dollar's exchange rate against the euro to remain constant
D. have no anticipation concerning future movements in the dollar/euro exchange rate

2485. Consulting firms that use large-scale econometric models to forecast exchange rate movements are engaging in ?
A. judgmental analysis
B. fundamental analysis
C. technical analysis
D. nontechnical analysis

2486. The assets market approach is most helpful in explaining ?
A. why exchange rates remain quite stable
B. why governments change their money supplies
C. long term exchange rate movements
D. short term exchange rate movements

2487. The asset market approach views exchange rates as being determined mainly by ?

A. the use of import tariffs and quotas by governments
B. the current account balance of each country
C. the relative growth rate of national output between countries
D. efforts of investors to balance their portfolios among financial assets denominated in different currencies

2488. The purchasing power parity theory has limitations in forecasting exchange rate fluctuations for all of the following reasons except ?
A. **inflation effects exchange rates**
B. international capital flows affect exchange rates
C. governments sometimes impose trade restrictions such as tariffs and quotas
D. not all products are internationally tradeable

2489. According to the asset market approach increased investor confidence in the Mexican economy would cause the peso to ?
A. appreciate because of an increase supply of peso denominated assets
B. depreciate because of an increased supply of peso denominated assets
C. appreciated because of an increased demand for peso denominated assets
D. depreciated because of an increased demand for peso denominated assets

2490. Exchange rate overshooting often occurs because ?
A. domestic prices adjust slowly to shifts in demand
B. military spending during military conflicts
C. elasticities are smaller in the long run than the short run
D. elasticities are smaller in the short run than the long run

2491. If the exchange rate between Swiss francs and British pounds is 5 francs per pound, then the number of pounds that can be obtained for 200 francs equals ?
A. 20 pounds
B. 40 pounds
C. 60 pounds
D. 80 pounds

2492. Relatively low real interest rates in the United States tend to ?
A. **decrease the foreign demand for dollars causing the dollar to depreciate**
B. decrease the foreign demand for dollars causing the dollar to appreciate
C. increase the foreign demand for dollars causing the dollar to depreciate

D. decrease the foreign demand for dollars causing the dollar to appreciate

2493. Assume that the United States faces a percent inflation rate while no (zero) inflation exists in Japan. According to the purchasing power parity theory over the long run the dollar would be expected to ?

A. appreciate by 8 percent against the yen

B. depreciate by 8 percent against the yen

C. remain at its existing exchange rate

None of the above

2494. IF when cost $4 per bushel in the United States and 2 pounds per bushel in Great Britain then in the presence of purchasing power parity the exchange rate should be ?

A. $50 per pound

B. $1.00 per pound

C. $2.00 per pound

D. $8.00 per pound

2495. The high foreign exchange value of the U.S dollar in the early 1980s can best be explained by ?

A. **additional investment funds made available from overseas**

B. lack of investor confidence in U.S fiscal policy

C. market expectations of rising inflation in the United States

D. American tourists overseas finding costs increasing

2496. When the price of foreign currency (the exchange rate) is above the equilibrium level ?

A. **an excess supply of that currency exists in the foreign exchange market**

B. an excess demand for that currency exists in the foreign exchange market

C. the supply of foreign exchange shifts outward to the right

D. the supply of foreign exchange shifts backward to the left

2497. Suppose Canada and Switzerland were the only two countries in the world There exists an excess supply of Swiss francs on the foreign exchange market This suggests that ?

A. the Canadian current account balance is in surplus

B. the Swiss current account balance is in deficit

C. the Canadian current account balance is in equilibrium

D. the Swiss current account balance is in equilibrium

2498. If Japan runs current account deficit and exchange rates are floating?

A. Japanese exports become more expensive to foreign buyers
B. Japanese exports become less expensive for foreign buyers
C. Japanese imports become less expensive for German buyers
D. Japanese imports become more prestigious to German buyers

2499. For the United States suppose the annual interest rate on government securities equals 12 percent while the annual inflation rate equals 8 percent For Japan the annual interest rate on government securities equals 10 percent while the annual inflation rate equals 5 percent the above variables would cause investment funds to flow from ?
A. **The United States to Japan causing the dollar to depreciate**
B. The United States to Japan causing the dollar to appreciate
C. The Japan to United States, causing the dollar to depreciate
D. The Japan to United States, causing the dollar to appreciate

2500. Given a system of floating exchange rates falling income in the United States would trigger a (an) ?
A. increase in the demand for imports and an increase in the demand for foreign currency
B. increase in the demand for imports and a decrease in the demand for foreign currency
C. decrease in the demand for imports and an increase in the demand for foreign currency
D. decrease in the demand for imports and a decrease in the demand for foreign currency

2501. Which example of market expectations causes the dollar to appreciate against the yen– expectations that the U.S economy will have ?
A. faster economic growth than Japan
B. higher future interest rates than Japan
C. more rapid money supply growth than japan
D. higher inflation rates than japan

2502. Starting from a position where the nation's money demand equals the money supply and its balance of payments is in equilibrium its balance of payments would move into a surplus position if there occurred in the nation a (an) ?
A. **decrease in the money supply**
B. increase in the money supply
C. decrease in the money demand
D. None of the above

2503. Assume identical interest rates on comparable securities in the United States and foreign countries. Suppose investors anticipate

that in the future the U.S dollar will depreciate against foreign currencies. investment funds would tend to ?

A. **flow from the United States to foreign countries**
B. flow from foreign countries to the United States
C. remain totally in foreign countries
D. remain totally in the United States

2504. Due to Japan's high saving rate, suppose that the Japanese invest abroad. This investment may result in a/an _______ of the Japanese yen and therefore a for Japan?

A. appreciation; trade surplus
B. appreciation; trade deficit
C. depreciation; trade surplus
D. depreciation; trade deficit

2505. Assume that a Big Mac hamburger cost $3 in the United States 2 pesos in Mexico The implied purchasing power parity exchange rate between the peso and the dollar is ?

A. **0.67 pesos = $1**
B. 0.8 pesos = $1
C. 1.25 pesos = $1
D. 1.67 pesos = $1

2506. Suppose that U.S dollar depreciates 70 percent against the yen yet Japanese export prices to Americans did not decrease by the full extent of the dollar depreciation. This is best explained by ?

A. **partial currency pass through**
B. complete currency pass through
C. partial J curve effect
D. complete J curve effect

2507. Economic theory predicts that a currency depreciation will least lead to an improvement in the home country's trade balance when ?

A. **home demand for imports is inelastic and foreign export demand is inelastic**
B. home demand for imports is elastic and foreign export demand is inelastic
C. home demand for imports is inelastic and foreign export demand is elastic
D. home demand for imports is elastic and foreign export demand is elastic

2508. The shift toward imperfectly competitive markets in domestic and international trade the concept of ?

A. official exchange rates
B. complete currency pass through

C. exchange arbitrage
D. trade adjustment assistance

2509. The extent to which a change in the exchange rate leads to changes in import and export prices is known as the ?
A. J Curve effect
B. Marshall Lerner effect
C. absorption effect
D. pass through effect

2510. Which approach predicts that is an economy operates a full employment and faces trade deficit currency devaluation will improve the trade balance only if domestic spending is cut thus freeing resources to produce exports ?
A. **the absorption approaches**
B. the Marshall Lerner approach
C. the monetary approach
D. the elasticities approach

2511. The notion that, following a currency depreciation the balance of trade falls for a while before increasing is called an effect ?
A. relative price
B. elasticity
C. J Curve
D. Pass through

2512. The analysis considers the ability of domestic and foreign price of adjust to devaluation in the short run ?
A. **pass through**
B. absorption
C. adjustment mechanism
D. currency contract period

2513. The balance of trade can only worsen if income ____ relative to absorption ?
A. increases
B. decreases
C. does not change
D. None of the above

2514. According to the Marshall-Lerner condition if a country's currency depreciates its trade balance will worsen if ?
A. elasticity of demand for exports = 0.9; elasticity of demand for imports = 0.4
B. elasticity of demand for exports = 0.7; elasticity of demand for imports = 0.3
C. elasticity of demand for exports = 0.5; elasticity of demand for

imports = 0.7
D. elasticity of demand for exports = 0.3; elasticity of demand for imports = 0.6

2515. Because of the J curve effect and partial currency pass through, a depreciation of the domestic currency tends to increase the size of a ?
A. trade surplus in the short run
B. trade surplus in the long run
C. trade deficit in the short run
D. trade deficit in the long run

2516. If foreign manufacturing costs and profit margins in response to a depreciation in the U.S dollar the effect of these actions is to ?
A. shorten the amount of time in which the depreciation leads to smaller trade deficit
B. shorten the amount of time in which the depreciation leads to smaller trade surplus
C. lengthen the amount of time in which the depreciation leads to smaller trade deficit
D. lengthen the amount of time in which the depreciation leads to smaller trade surplus

2517. Given a two-country world, suppose Japan devalues the yen by 20 percent and west German devalues the mark by 15 percent This result is a (an)?
A. appreciation in the value of both currencies
B. depreciation in the value of both currencies
C. appreciation in the value of the yen against the mark
D. depreciation in the value of the yen against the mark

2518. Complete currency pass through arises when a 10 percent depreciation in the value of the dollar causes U.S?
A. import prices to fall by 10 percent
B. import prices to rise by 10 percent
C. export prices to rise by 10 percent
D. export prices to fall by 10 percent

2519. If export contracts are written in terms of foreign currency and import contracts are denominated in domestic currency a depreciation of the dollar during the currency contract period ?
A. should increase the dollar value of exports
B. should not have any effect on the dollar value of U.S imports
C. must increase the balance of trade
D. All of the above

2520. Suppose that the United Kingdom devalues the pound if both exports and imports are written in terms of pounds then the United Kingdom balance of trade during a currency contract period ?

A. improves
B. worsens
C. is unaffected
D. falls for a while before increasing

2521. The shorter the ______ pass through period the ______ the desirable BOT effects of evaluation on quantities traded will appear ?

A. **sooner**
B. longer
C. bigger
D. smaller

2522. The analysis considers the ability of domestic and foreign price of adjust to devaluation in the short run ?

A. **pass through**
B. absorption
C. adjustment mechanism
D. currency contract period

2523. Empirical evidence regarding in the effects of currency depreciation on the balance of trade indicates that?

A. depreciation generally improves the trade balance
B. depreciation generally hurts the trade balance
C. no strong generalization is possible
D. depreciation has no effect on the trade balance

2524. Which of the following is not an assumption of Schumpeter's stationary state ?

A. Perfect competition
B. An economy below full employment
C. No savings or technical change
D. No entrepreneurial function is required

2525. Technical advance involves ?

A. **the development of pure science, invention innovation financing the innovation and the innovation's acceptance**
B. introducing new products modifying production functions creating credit and making profits
C. innovation investment credit creation and economies growth
D. patent management resource gains mature innovation and speculative gains

2526. According to William Baumol under oligopolistic competition among large, high tech business firms. innovation has ?
A. created stationary economies of scale
B. maintained the relationship between firms and their clients
C. replaced price as the important
D. limited the expansion of firms

2527. Capitalism is an economies system ?
A. based on government intervention in the means of production
B. that originated in the United States in the 19th Century
C. Where private owners of capital make decisions based on profit
D. that dominated developing economies in the 19 Century

2528. Monopoly advantage is usually the result of greater opportunities such as ?
I- access to more economic information than competitors
II- superior access to training and education
III- a lower discount of future earnings
IV- larger firm size

2529. I and II only
B. II and III only
C. I, II and III only
D. I, II, III, and IV

2530. Which of the following was a socialist country ?
I- Holland
II- Soviet Union
III- China
IV- India

2531. I and II only
B. II and III only
C. III and IV only
D. I and IV only

2532. Which of the following is an example of a Schumpeterian innovation ?
A. An existing internet provider provides competition to two other providers in Dayton Ohlio
B. The production and marketing of the Model T Ford in the 19-teens
C. The invention of the Stanley steamer
D. An American buying a stock in the Philippines stock market

2533. Joseph Schumpeter is the exceptional economist who links the entrepreneur to ?

A. oligopolistic capitalism
B. resource management
C. innovation
D. land and labor

2534. The entrepreneur can be viewed as the ?
I- coordinator of other production resources
II- decision maker under uncertainty
III- innovator
IV- gap filler and input completer
B. I and II only
2. II and III only
3. I, II and only
4. I, II, III and IV

2535. The Protestant Ethic and the Spirit of Capitalism was written by ?
A. Adam Smith
B. Max Weber
C. Joseph Schumpeter
D. William Baumol

2536. According to Weber's thesis ?
A. Protestants disapproved of accumulating wealth
B. Protestants failed to restrict extravagance and conspicuous consumption
C. Roman Catholicism expressed its asceticism in a secular vocation
D. capitalism was most advanced in Protestant countries

2537. Which of the following is TRUE about gender and business world ?
A. There are more women than men in U.S business because of the aspirations of U.S girls
B. There are relatively few women in U.S business partly because of female socialization
C. LDC businesswomen have a better chance than men of getting credit from bankers and suppliers
D. Businesswomen in India are viewed as naturally stronger, less emotional more socially adept and more rational than businessmen

2538. A production function ?
A. shows the dependency output of the working population
B. depicts the relationship between input and output
C. states the relationship between products and income distribution
D. is a function of natural resources in a country

2539. In a production function Y = F(L, K,N,E,T) Y is ?
A. **national product**
B. capital

C. natural resources
D. prevailing technology

2540. Labor skills are a major component of ?
A. fertility
B. population quality
C. mortality
D. morbidity

2541. The unemployment rate is the ?
A. **employed plus unemployed divided by labor force**
B. total employment divided by population
C. labor force divided by population
D. unemployed divided by employed

2542. During the Great Depression workers in DCs who took inferior jobs as a result of being laid off were known as ?
A. **disguised unemployed**
B. cyclical unemployed
C. seasonally unemployed
D. voluntarily unemployed

2543. Disguised unemployed is?
A. **when marginal revenue productivity of labor is zero**
B. the same as seasonal unemployment of LDC agricultural
C. the rigid factor proportions in LDC agriculture and industry
D. due to capital formation and the level of technology remaining constant.

2544. According to Harris and Todaro, creating urban jobs by expanding industrial output ?
A. is insufficient for solving the urban unemployment problem
B. will generate capital-intensive technologies
C. will generate more government revenue through urban wages
D. induces government to increase minimum wages

2545. The simplest explanation based on Lewis's model for rural-urban migration is ?
A. That people migrate when urban wages exceed rural wages
B. a higher expected income in urban areas
C. better infrastructure in urban areas
D. the availability of labor-intensive jobs in urban areas

2546. Policies to reduce factor price distortion include?
I- Encouraging small-scale industry
II- Decreasing subsidies to capital investors
III- Reducing social security programs and payroll taxation
IV- Setting market-clearing exchange rates

2547. I and II only
B. II and III only
C. I, II and III only
D. I, II, III and IV

2548. **Based on Nafziger and Auvinen's study high unemployment rates ?**
I- represent a vast underutilization of human resources
II- are potential source of social unrest and political discontent
III- are uncomerated with poverty and inequality in LCDs
IV- are associated with middle age rural uneducated males

2549. **I and II only**
B. III and IV only
C. I, II and III only
D. I, II and IV only

2550. **Entrepreneurship is the ?**
A. technique to manage raw materials efficiently
B. residual of a production function
C. resource coordinating other productive resources
D. blueprint on how to manage the labor force

2551. **Which of the following is not capita good ?**
A. plant and equipment
B. buildings
C. inventories
D. consumers goods

2552. **The openly unemployed in LDCs are usually from all of the following except ?**
A. persons 15 to 24 years old
B. the educated
C. residents of urban areas
D. from the poorest 1/5 of the population

2553. **Which of the following is not TRUE about unemployed in LDCs ?**
A. The unemployment rate for youths is twice that of people over 24
B. Unemployment in rural areas is twice that of urban areas
C. World-wide there are fewer unemployed females than males, but the rate is higher for women
D. The unemployed are relatively well educated

2554. **The invisibly underemployed ?**
A. are workers who are compelled to work short hours
B. result from an inadequate use of workers capacities
C. are part-time workers who voluntarily work short hours
D. None of the above is correct

2555. The theoretical basis for zero marginal productivity of labor was the concept of ?

A. marginal rate of substitution
B. labor force literacy
C. substitution of leisure and work among labor
D. limited technical sustainability of factors

2556. Which of the following is not TRUE about rural urban migration ?

A. Migration to the cities is a larger contributor than natural population growth to urban labor growth is sub Saharan Africa
B. In Latin America natural population increase is the major source of urban growth
C. From 1975 to 2000 the number of cities in LDC with populations over 1 million increased from 20 to 50
D. The urban share of total LDC population grew from 27 percent in 1975 and 35 percent in 1992 to 40 percent in 2003

2557. The Keynesian remedy for unemployment is to ?

A. decrease aggregate demand
B. reduce tax rates or lower interest rates
C. decrease government spending
D. decrease private consumption and investment

2558. If a small percentage increase in the price of a good greatly reduces the quantity demanded for that good, the demand for that good is ?

A. income inelastic
B. price inelastic
C. price elastic
D. unit price elastic

2559. in general a flatter demand curve is more likely to be ?

A. **price elastic**
B. unit price elastic
C. none of these answers
D. price inelastic

2560. Which of the following would cause a demand curve for a good to be price inelastic ?

A. The good is luxury
B. There are a great number of substitutes for the good
C. The good is a necessity
D. The good is an inferior good

2561. If the cross-price elasticity between two goods is negative the two goods are likely to be ?

A. substitutes
B. complements

C. necessities
D. luxuries

2562. If a fisher must sell all of his daily catch before it spoils for whatever price he is offered once the fish are caught the fisherman's price elasticity of supply for fresh fish is ?
A. **zero**
B. infinite
C. one
D. unable to be determined form this information

2563. If an increase in the price of a good has no impact on the total revenue in that market demand must be ?
A. all of these answers
B. price inelastic
C. unit price elastic
D. price elastic

2564. If consumers always spend 15 percent of their income on food. then the income elasticity of demand for food is ?
A. 1.50
B. 1.15
C. none of these
D. 0.15
E. 1.00

2565. If supply is price inelastic the value of the price elasticity of supply must be ?
A. infinite
B. Zero
C. less than 1
D. none of these
E. greater than 1

2566. Suppose that at a price of Rs 30 per month there are 30000 subscribers to cable television in small Town. If small Town Cablevision raises its price Rs40 per month the number of subscribers will fall to 20000 Using the midpoint method for calculating the elasticity what is the price elasticity of demand for cable TV in Small Town ?
A. **1.4**
B. 0.66
C. 0.75
D. 2.0

2567. Suppose that at a price of Rs 30 per month there are 30000 subscribers to cable television in small Town. If small Town

Cablevision raise its price to Rs 40 per month the number of subscribers will fall to 20000 At which of the following price does small Town Cablevision earn the greatest total revenue ?
A. Rs 0 per month
B. Rs 30 per month
C. Rs 40 per month
D. Either Rs 30 or Rs 40 per month because the price elasticity of demand is 1.0

2568. If demand is linear (a straight line) then price elasticity of demand is ?
A. **elastic in the upper portion and inelastic in the lower portion**
B. inelastic in the upper portion and elastic in the lower portion
C. inelastic throughout
D. constant along the demand curve

2569. If consumers think that there are very few substitutes for a good, then ?
A. Supply would tend to be price elastic
B. none of these answers
C. demand would tend to be price inelastic
D. demand would tend to be price elastic

2570. The price elasticity of demand is defined as ?
A. the percentage change in the quantity demanded divided by the percentage change in income.
B. the percentage change in income divided by the percentage change in the quantity demanded
C. the percentage change in the quantity demanded of a good divided by the percentage change in the price of that good
D. none of these answers

2571. in general a flatter demand curve is more likely to be ?
A. price elastic
B. none of these answers
C. unit price elastic
D. price inelastic

2572. The demand for which of the following is likely to be the most price inelastic ?
A. **transportation**
B. taxi rides
C. bus tickets
D. airline tickets

2573. If a supply curve for a good is price elastic then ?

A. **the quantity supplied is sensitive to changes in the price of that good**
B. That quantity demanded is insensitive to changes in the price of that good
C. the quantity demanded is sensitive to changes in the price of that good
D. the quantity supplied is incentive to changes in the price of that good
E. None of these

2574. A decrease in supply (shift to the left) will increase total revenue in that market if ?
A. **demand is price inelastic**
B. supply is price elastic
C. supply is price inelastic
D. demand is price elastic

2575. Technological improvements in agriculture that shift the supply of agricultural commodities to the right tend to ?
A. increase total revenue to farmers as a whole because the demand for food is elastic
B. increase total revenue to farmers as whole because the demand for food is inelastic
C. reduce total revenue to farmers as a whole because the demand for food is elastic
D. reduce total revenue to farmers as a whole because the demand for food is inelastic

2576. If there is excess capacity in a production facility it is likely that the firm's supply curve is ?
A. price inelastic
B. none of these
C. unit price elastic
D. price elastic

2577. If the income elasticity of demand for a good is negative it must be ?
A. an elastic good
B. an inferior good
C. a normal good
D. a luxury good

2578. In 2000, the Economist estimated that only __________ of some 360 million internet users were in Africa ?
A. 60 million
B. 10 million

C. 3 million
D. million

2579. The marginal product model assumes that ?
A. individuals pay the full cost of their education
B. government subsidizes schooling
C. education persons migrate more
D. capital and unskilled labor are complements

2580. The disease burden could be measured by calculating __________ combining years lost through premature death and from living with disability?
A. mortality-adjusted lifelong
B. premature living age
C. life mortality-fertility ratio
D. disability-adjusted life years

2581. Which of the following is True about HIV/AIDS ?
I- Women comprised 58 percent of HIV-positive adults in the Sub-Sahara
II- AIDs infection rates in Africa are highest among urban high
III- in 2001 40 million people with HIV/AIDS lived in sub-Saharan Africa
IV- Since 1981 120 million people have died of AIDS

2582. I and II only
B. III and IV only
C. I, II and III only
D. I, II , III and IV

2583. Labor productivity is higher in DCs such as Japan and Germany than LDCs due to ?
A. high formal education and training
B. better health and physical condition of the labor force
C. Both a and b are correct
D. None of the above is correct

2584. Which of the following is not true ?
A. Development generally improves the health system while better health increases productivity social cohesion, and economic welfare
B. Life expectancy is probably the best single indicator of national health levels
C. Life expectancy in Africa increased steadily from 1994 to 2003 due to better health care
D. There are growing inequalities in investment in health worldwide

2585. By 2010 the U.S Census Bureau expects life expectancy in the tow southern African countries of Botswana and South Africa to be ?
A. 30 to 40 years, about the same as in 1995
B. 30 to 40 years, a fall of more than 10 years from 1995
C. 50 to 60 years, about the same as in 1995
D. 70 years, an increase from 1995

2586. In a competitive economy, a worker earns an income equivalent to ?
A. The amount of brain drain
B. Marginal utility
C. Marginal Product
D. The substitutability of labor to capital

2587. Gunnar Myrdal argues that a major barrier to high labor productivity is ?
A. due to a lack of education
B. a class system in which the elite are contemptuous of manual work
C. upper-and middle-class westerners
D. The lack of bargaining power y cheap labor

2588. Of the 57 million people dying worldwide in 2002, _____ were from stroke and heart disease and ________ from cancer disproportionately from DCs?
A. **17 million, 7 million**
B. 7 million, 0.7 million
C. 3 million, 1 million
D. 0.5 million, 5 million

2589. Which of the following is NOT true about child mortality ?
A. About 18 percent of the world’s deaths are among children less than five years old
B. More than 98 percent of child deaths were in LDCs
C. World-wide child mortality rates increased from 1990 to 2002
D. 19 of the 20 countries with the highest child mortality were in Africa

2590. Which of the following is Not True about education in LDCs ?
A. Public expenditure per student for higher education is about ten times as high as for primary education
B. The expansion of primary education redistributes benefits from the rich to the poor
C. Economists unanimously agree that LDCs should put greater priority on primary education
D. Boys are sent to schools far more often than girls

2591. Simon S.Kuznets argues that the major stock of an economically advanced country is not its physical capital but ?
A. natural resources
B. body of knowledge
C. land
D. quantity of labor

2592. The emigration of highly-skilled people from the developing countries is known as ?
A. **The brain drain**
B. human capital deterioration
C. productivity
D. labor degradation

2593. The term Fourth World has been coined to describe ?
A. the newly industrialized countries like Korea, Taiwan Malaysia
B. The republics of the former Soviet Union
C. Countries that still have a communist government like China and Cuba
D. countries that have fallen far behind the economic advances of the rest of the world

2594. The term Fourth World has been coined to describe ?
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C. Countries that still have a communist government like China and Cuba
D. countries that have fallen far behind the economic advances of the rest of the world

2595. 85% of the world's population lives in developing countries and receives about _____ of the world's income?
A. 40%
B. 10%
C. 20%
D. 30%

2596. A policy of developing local industries that can compete with imports is referred to as ?
A. export promotion
B. industrial promotion
C. import substitution
D. unbalanced growth

2597. The idea that suggests that poverty is self-perpetuating because poor nations are unable to save and invest enough to accumulate the capital stock that would help them grow is ?

A. **the vicious circle of poverty hypothesis**
B. the dependency theory
C. neo-colonialism
D. the under-consumptionist hypothesis

2598. Experiences over the last three decades has suggested that in order for economic development to occur, it is necessary for an economy to ?
A. stress agricultural development over industrial development
B. promote industrial development over agriculture
C. use a balanced strategy that promotes both agricultural and industrial development
D. stress the importation of agricultural products and the export of manufactured goods

2599. Low agricultural productivity in developing countries is mainly caused by ?
A. **shortages of inputs including land**
B. an over-investment in farm equipment
C. migration from rural areas to urban areas
D. a lack of effective demand for food products

2600. The main reason why land reform increase agricultural output is that is ?
A. encourages mechanization
B. allows the farmers to set the prices for their agricultural products
C. enables farmers to escape the problem of diminishing return
D. makes farmers owners of the land instead of tenants and owners' farmers are more productive than tenant farmers

2601. When economists say that developing countries have a dualistic economy the 2 parts referred to are ?
A. **modern sector and traditional sector**
B. town and country
C. men and women
D. rich people and poor people

2602. Most of the Third World/Fourth World debt was incurred in ?
A. The colonial period
B. The early 1950s
C. most debt was incurred during the oil shocks of the 1970s
D. the early 1960s

2603. Debt-re-scheduling is ?
A. an agreement with the World Bank to turn some of a debt into other forms
B. a change in debt repayment due to inability to pay

C. regular payments of interest and repayments of capital
D. a program of austerity measures agreed with the IMF to make repayment possible

2604. When economists talk about developing countries experiencing flight of capital they mean?
A. money lent to the country being immediately invested abroad
B. People investing their money in urban business rather than agriculture
C. money moving around financial institutions rather than being invested in production
D. people investing money abroad rather than in their own country

2605. Developing countries, if compared with other countries, have ?
A. a lower rate of illiteracy
B. a greater degree of equality in the income distribution
C. a lower infant mortality rate
D. a smaller percentage of the labor force in urban areas

2606. The developed nations have only about 15% of the world's population, but they are estimated to consume ________ of the world's output ?
A. **80%**
B. 65%
C. 50%
D. 25%

2607. Many developing countries instituted import substitution policies because ?
A. the prices of the goods they imported were falling
B. the price of goods they exported were increasing
C. their terms of trade were deteriorating
D. their terms of trade were improving

2608. Which of the following factors has been suggest as an explanation for the lack of economic growth in many poor nations ?
A. **The constraints imposed by dependency on the already-developed nations**
B. A steady rate of capital formation
C. An adequate level of social overhead capital
D. The supply of human resources is too high

2609. One of the benefits of putting resources into agricultural projects is that ?
A. Successful agricultural projects produce surplus food to support urban development

B. agricultural investment will prevent the flight of capital abroad
C. agricultural projects usually have low import requirements
D. export prices for agricultural products are more stable than those for industrial products

2610. The policy that has been the most successful in increasing agricultural output in developing countries is ?
A. mechanization
B. land reform
C. import substitution
D. produce marketing boards

2611. Which of the following is NOT one of the problems facing most developing nations ?
A. Food shortages
B. Foreign debt
C. Rapid population growth
D. Labor shortages

2612. Structuralist economists who study developing countries focus their attention on ?
A. changes in industrial structure over time
B. specific barriers to development and how to overcome them
C. The impact of international trade structures on developing countries
D. the caste of class structure and discrimination in the labor market

2613. An agreement between a borrower country and the International Monetary Fund in which the country agrees to revamp its economic policies to provide incentives for higher export earnings and lower imports is a ?
A. **debt rescheduling agreement**
B. debt service agreement
C. program for growth
D. stabilization program

2614. How has the relative gap between GNP per capita for Western Europe and GNP per capita for African less-developed countries changed from the late nineteenth century to the present ?
A. declined
B. increased
C. remained the same
D. cannot be determined

2615. Asian tigers or newly industrializing countries (NICs) of East and Southeast Asia include the following except ?
A. South Korea
B. China

C. Taiwan
D. Singapore

2616. The 1993 World Bank study entitled The East Asian Miracle (1993) identifies eight high performing Asian economies Which of the following is not one of them ?
A. Japan
B. Four tigers
C. Vietnam
D. Thailand

2617. On what did the Russian Soviet development model of growth not depend ?
A. diverting savings from agriculture to industry
B. state assisted entrepreneurs
C. state monopolized trading
D. markets for allocating resources

2618. Why has the growth of the German and Japanese economies after World War|| not been repeated in LDCs ?
A. low interest rates
B. political instability inhibits world-wide investment
C. human capital or technical skills were lacking
D. real domestic currency depreciation exists

2619. Perestroika in the former Soviet Union refers to ?
A. total market reliance for resource allocation
B. economic restructuring by Gorbachev
C. intensified central planning
D. None of the above

2620. The bourgeoisie refers to ?
A. the monarchy
B. the central planners of the Soviet Union
C. the capitalist and middle class
D. the aristocrats of wealthy nations

2621. Based on Mankiw Romer and Weil (1992) with conditional convergence holding fertility rates, education and government spending as a share of GDP constant ?
A. income per capita is the same regardless of poor or rich countries
B. income per capita in poor countries grows faster than in rich countries
C. income per capita in rich countries grows faster than in poor countries

D. income per capita in poor countries grows conditional upon foreign aid

2622. The 1993 World Bank study entitled The East Asian Miracle identifies eight high performing Asian economies. Which of the following is not one of them ?

A. Japan
B. The four tigers
C. Vietnam
D. Thailand

2623. Keiretsu refers to ?

A. **groups of affiliated companies loosely organized around a large bank**
B. horizontal manufacturing groups consisting of a core company and its partners
C. State-assisted entrepreneurs
D. financial cliques

2624. Korea's keirestsu-like corporate conglomerates is known as ?

A. zaibatsu
B. chaebol
C. laissez faire
D. bourgeoisie

2625. More than seventy percent of the population of fast g: owers lives in ?

A. **China**
B. United States
C. Russia
D. Europe

2626. Why has modern economic growth mainly been in western countries ?

A. a strong Catholic church intervention in the economic decisions
B. an emphasis on trade restrictions
C. the use of the medieval economy
D. the rise of capitalism

2627. Which two countries have enjoyed a real per capita growth rate of more than 7% yearly since the 1960s ?

A. Ghana and Mexico
B. Canada and the United States
C. Sierra Leone and Nigeria
D. Taiwan and South Korea

2628. Two countries that still rely on the Soviet communist model of development are ?

A. Ghana and Nigeria
B. Poland and Germany
C. Cuba and North Korea
D. China and Hong Kong

2629. ASEAN refers to the ?
A. Association of South East Argo Nations
B. Association of South East Asian Nations
C. Alliance of South East Asian Neighbors
D. Alliance of South Eastern African Nations

2630. Based on the 2010 population survey four of the five most populous countries include ?
A. Russia, Pakistan Bangladesh and Nigeria
B. China, India, Indonesia, and Brazil
C. Russia, China, India, and South Africa
D. China, Russia, Mexico, and Indonesia

2631. Deepak Lal argues that development economics is dominated by ________ approach that favors government intervention into LDC prices?
A. **dirigiste**
B. Keynesian
C. Commanding heights
D. soft budget

2632. Government's use of coordinated policies to achieve national economic objectives is ?
A. commanding heights
B. entrepreneurial programs
C. public physical policy
D. development planning

2633. According to Oskar Lange's model socialist enterprises should produce where ?
A. The monopoly profit maximization rule applies
B. Product price equals marginal cost
C. marginal revenue equals average cost
D. total revenue equals total cost

2634. A medium-term plan can be a(n) _________ revised at the end of each year?
A. instrument variable
B. seasonal expenditure
C. rolling plan
D. perspective plan

2635. Annual GNP growth of 6% poverty reduced by 1% point of the population Balance of payments deficit not in excess of $200 million For a planner, the above are ?
A. achieved only through socialism
B. target variables
C. bound by soft budget
D. recurrent expenditures

2636. Goals are achieved through ____ such a monetary fiscal, exchange rate tariff tax subsidy, business incentive foreign investment and foreign aid?
A. indicative plan
B. central bank policies
C. central planning
D. instrument variables

2637. Under Soviet-type economy-wide central planning ?
A. **most resource lack freedom to move to their highest value uses**
B. resources are free to move to their lowest cost uses
C. resources owned by private entities moves to efficient use but not those owned publicly
D. resources are privately owned by capitalists

2638. Which of the following is not a public policy to promote the private sector ?
A. Investigating development potential through scientific and market research and natural resources surveys
B. Providing adequate infrastructure for public and private agencies
C. Creating markets, including commodity markets, security exchanges, banks credit facilities and insurance companies
D. Increasing market monopolies and oligopolies to help producers

2639. Planning in many LDCs has failed because detailed programs for the public sector have not been worked out and ?
A. governments depend primarily on their colonial masters
B. excessive controls are used in the private sector
C. the brain drains cost government substantially
D. monopolies dominate in the agricultural sector

2640. Takatoshi Ito (1992) contends that parliamentary governments manipulate the timing of _____ while presidential governments manipulate the timing of _____?
A. monetary policy, fiscal policy
B. elections; economics policies

C. economic policies; political policies
D. tax collection, tax implementation

2641. The market efficiently allocates scarce resource among alternative ends such that ?
I- consumers receive goods for which they are willing to pay
II- Production resources hire out to maximize income)
III- the market determines available labor and capital
IV- the market distributes income among rich individuals

2642. III and IV only
B. II and III only
C. I, II and III only
D. I, II, III and IV

2643. The input-output table, when divided vertically shows ?
A. **the inputs to each industry from other industries and sectors**
B. development planning and the required information on national income growth
C. the planned public capital divided by feasible actual industrial projects public capital
D. how the output of each industry is distributed within the sectors of the economy

2644. Worker-managed socialism helped contribute to ________ 's rapid economic growth from 1959 to 1979?
A. **Yugoslavia**
B. Chile
C. Vietnam
D. Japan

2645. Most mixed or capitalist developing countries are limited to an indicative plan, which indicates expectations, aspirations, and intentions ?
A. **but falls short of authorization**
B. with immediate implementation
C. of the central bank
D. of implementation through foreign aid

2646. Polish economist Oskar Lange's model of decentralized _______ combined the advantages of market allocation with more uniform income distribution by dividing the returns from social ownership of nonhuman productive resources among the whole population ?
A. **market socialism**
B. capitalism
C. mixed economy
D. monopoly

2647. Branko Horvat’s historical review of the last two and one-half century indicates that in large part market or decentralized socialism ?
A. **has failed**
B. works well in Utopia
C. is widely used in sub Saharan Africa
D. is the only way to eradicate poverty?

2648. Which of the following assumptions underlying input-output analysis raises about its validity ?
I- The technical coefficients are fixed which means so substitution between inputs occurs
II- There are no externalities so that the total effect of carrying out several activities is the sum of the separate effects
III- Each good is produced by only one industry and each industry produces only one commodity
IV- There is no technical change

2649. I and II only
B. I, II, III only
C. I, II, IV only
D. I, II, III and IV

2650. A state planning ideology arose in LDCs as a reaction to nationalist perceptions of ?
A. Keeping balanced budget, a price target
B. slow economic growth under colonial capitalism
C. minimizing public spending in the rural areas
D. western countries, nation-state ideology

2651. Firms in perfect competition face a?
A. **perfectly elastic demand curve**
B. perfectly inelastic demand curve
C. perfectly elastic supply curve
D. perfectly inelastic supply curve

2652. A profit maximizing firm is perfect competition produces where ?
A. Total revenue is maximized
B. Marginal revenue equals zero
C. Marginal revenue equals marginal cost
D. Marginal revenue equals average cost

2653. In the long run in perfect competition ?
A. The price equals the total revenue
B. Firms are allocatively inefficient
C. Firms are productively efficient
D. The price equals total cost

2654. In the short run firms in perfect competition will still produce provided ?

A. **The price covers average variable cost**
B. The price covers variable cost
C. The price covers average fixed cost
D. The price covers fixed costs

2655. For a perfectly competitive firm ?

A. **Price equals marginal revenue**
B. price is greater than marginal revenue
C. price equals total revenue
D. price equals total cost

2656. Which of the following market would most closely satisfy the requirements for a competitive market ?

A. electricity
B. cable television
C. cola
D. milk
E. All of these answers represent competitive markets

2657. For a competitive firm, marginal revenue is ?

A. total revenue divided by the quantity sold
B. equal to the quantity of the good sold
C. average revenue divided by the quantity sold
D. equal to the price of the good sold

2658. If a competitive firm is producing a level of output where marginal revenue exceeds marginal cost the firm could increase profit if it ?

A. decreased production
B. maintained production at the current level
C. temporarily shut down.
D. increased production

2659. In the long run, the competitive firm's supply curve is the ?

A. entire marginal cost curve
B. upward-sloping portion of the average total cost curve
C. portion of the marginal cost curve that lies above the average total cost curve
D. upward-sloping portion of the average variable cost curve
E. portion of the marginal cost curve that lies above the average variable cost curve.

2660. The long-run market supply curve ?

A. **is always more elastic than the short-run market supply curve.**
B. is always perfectly elastic

C. has the same elasticity as the short run market supply curve
D. is always less elastic than the short-run market supply curve

2661. If all firms in a market have identical cost structures and if inputs used in the production of the good in that market are readily available, then the long-run market supply curve for that good should be ?
A. downward sloping
B. perfectly inelastic
C. upward sloping
D. perfectly elastic

2662. If the long-run market supply curve for a good is perfectly elastic, an increase in the demand for that good will, in the long run, cause ?
A. **an increase in the number of firms in the market but no increase in the price of the good**
B. an increase the price of the good and an increase in the number of firms in the market
C. an increase the price of the good but no increase in the number of firms in the market
D. no impact on either the price of the good or the number of firms in the market

2663. In monopolistic competition ?
A. Firms face a perfectly elastic demand curve
B. All products are homogeneous
C. Firms make normal profits in the long run
D. There are barriers to entry to prevent entry

2664. In monopolistic competition firms profit maximize where ?
A. Marginal revenue = Average revenue
B. Marginal revenue = Marginal cost
C. Marginal revenue = Average cost
D. Marginal revenue = Total cost

2665. Effective branding will tend to make ?
A. Demand more price inelastic
B. Supply more price inelastic
C. Demand more income elastic
D. Supply more income elastic

2666. In Porter's five force model conditions are more favorable for firms within an industry if ?
A. Buyer power is high
B. Supplier power is high
C. Entry threat is low
D. Substitute threat is high

2667. In marketing "USP" stands for ?
A. **Unique Selling Proposition**
B. Underlying Sales Proposition
C. Unit Sales Point
D. Under Sales Procedure

2668. A production is technique is technically efficient if ?
A. output is maximized
B. inputs are minimized
C. there is no way to make a given output using less of one input and no more of the other inputs
D. Costs are minimized

2669. Decrease returns to scale means that _____ as ______?
A. Short run marginal cost rises, output rises
B. long run marginal cost rises, output rises
C. Short run average cost rises, output rises
D. long run average cost rises, output rises

2670. If a firm is not operating at the output necessary to achieve all scale economies, it has not achieved its ?
A. Efficient scale
B. Average efficient scale
C. Maximum efficient scale
D. Minimum efficient scale

2671. The firms long run output decision will be where ?
A. long run average cost is lowest
B. marginal revenue equals output
C. marginal revenue equals long run marginal cost
D. marginal cost equals output

2672. The short run marginal cost curve cuts the short run total cost curve and short run average variable cost curve ?
A. **At their lowest points**
B. When they are declining
C. When they are increasing
D. When marginal revenue is zero

2673. Holding all factors constant except one and increasing a variable factor is expected to lead to steadily decreased marginal product of that 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

2674. In a competitive industry each buyer and seller ?

A. **is a price taker**
B. Producer different products
C. Believes that can influence price
D. Prevents the entry of competitors

2675. For perfect competition to work there must be ?
A. many buyers and sellers
B. a standard product
C. free entry and exit
D. perfect information
E. all of the above

2676. A competitive firm demand curve is ?
A. **Horizontal**
B. vertical
C. downward sloping
D. elastic

2677. A competitive firm produces a level of output at which ?
A. Price is greater than marginal cost
B. price equals marginal cost
C. price is less than marginal cost
D. None of the above

2678. In perfect competition ?
A. **The price equals the marginal revenue**
B. the price equals the average variable cost
C. the fixed cost equals the variable costs
D. the price equals the total cost

2679. In perfect competition ?
A. **The products firm offer is very similar**
B. Products are heavily differentiated
C. A few firms dominate the market
D. Consumer have limited information

2680. In perfect competition ?
A. Short run abnormal profits are completed away by firms leaving the industry
B. Short run abnormal profits are competed away by firms entering the industry
C. Short run abnormal profits are competed away by the government
D. Short run abnormal profits are competed away by greater advertising

2681. In perfect competition ?
A. A few firms dominate the industry
B. Firms are price makers

C. There are many buyers but few sellers
D. There are many buyers and sellers

2682. In the long run in perfect competition ?
A. **price = average cost = marginal cost**
B. price = average cost = total cost
C. price = marginal cost = total cost
D. Total revenue = Total variable cost

2683. Which of the following is not a characteristic of a competitive market ?
A. All of these answers are characteristic of a competitive market
B. The are many buyers and sellers in the market
C. The goods offered for sale are largely the same.
D. Firms generate small but positive economic profits in the long run
E. Firms can freely enter or exit the market

2684. If a competitive firm doubles its output its total revenue ?
A. **doubles.**
B. more than double
C. less than doubles.
D. cannot be determined because the price of the good may rise or fall

2685. The competitive firm maximize profit when it produces output up to the point where ?
A. price equals average variable cost
B. marginal revenue equals average revenue
C. marginal cost equals total revenue
D. marginal cost equals marginal revenue

2686. In the short run, the competitive firm's supply curve is the portion of the marginal cost curve that lies above the average variable cost curve?
A. Upward-sloping portion of the average total cost curve
B. upward-sloping portion of the average variable cost curve
C. portion of the marginal cost curve that lies above the average total cost curve.
D. entire marginal cost curve.
E. portion of the marginal-cost curve that lies above the average variable cost curve

2687. A grocery store should close at night if the ?
A. variable costs of staying open are less than the total revenue due to staying open.
B. total costs of staying open are less than the total revenue due to staying open

C. variable costs of staying open are greater than the total revenue due to staying open
D. total costs of staying open are greater than the total revenue due to staying open

2688. In the long-run some firms will exit the market if the price of the good offered for sale is less than ?
A. marginal revenue
B. marginal cost
C. average total cost
D. average revenue

2689. If an input necessary for production is in limited supply so that an expansion of the industry raises costs for all existing firms in the market, then the long-run market supply curve for a good could be ?
A. perfectly inelastic
B. perfectly elastic
C. upward sloping
D. downward sloping

2690. in long-run equilibrium in a competitive market, firms are operating at ?
A. the minimum of their average-total-cost curves
B. all of these answers are correct
C. their efficient scale
D. zero economic profit
E. intersection of marginal cost and marginal revenue

2691. In monopolistic competition ?
A. Demand is perfectly elastic
B. Products are homogeneous
C. Marginal revenue = price
D. The marginal revenue is below the demand curve and diverges

2692. Which of the following is not one of the four Ps in marketing ?
A. **Product**
B. Price
C. Place
D. Presence

2693. In monopolistic competition of firms are making abnormal profit other firms will enter and ?
A. **The marginal cost will shift outwards**
B. the demand curve will shift inwards
C. The average cost will shift downwards
D. The average variable cost will increase

2694. If a firm takes over a competitor then, according to porter's 5 forces model ?
A. Buyer power is higher
B. Supplier power is higher
C. Substitute threat is higher
D. Rivalry is lower

2695. In monopolistic competition ?
A. There are few sellers
B. There are few buyers
C. There is one seller
D. There are many sellers

2696. If a long run average cost curve is falling form left to right this is an example of ?
A. **increasing returns to scale**
B. decreasing returns to scale
C. constant returns to scale
D. the minimum efficient scale

2697. When average cost is falling marginal cost is ________ and when average cost is rising marginal cost is?
A. greater than average cost, greater than average cost
B. less than average cost, greater than average cost
C. less than average cost, less than average cost
D. greater than average cost, less than average cost

2698. Short run average total costs are equals to the sum of ____ and _____?
A. Short run opportunity costs, profit
B. Short run variable costs, profit
C. Short run average variable costs, profit
D. Short run average variable costs, profit run average fixed costs

2699. In the short run a firm will produce zero output if ?
A. price is greater than short run average total cost
B. price is between short run average total cost and short run average variable cost
C. price is less than short run average variable cost
D. profit is zero

2700. For a competitive firm, its short run supply curve is ______ and its long run supply curve is _____?
A. SMC, LMC
B. SMC above SAVC, LMC above LAC

C. SMC below SAVC, LMC above LAC
D. SMC below SAVC, LMC bellow LAC

2701. The limit on the consumption bundles that a consumer can afford is known as ?
A. an indifference curve
B. the budget constraint
C. the marginal rate of substitution
D. the consumption limits

2702. indifference curves for perfect substitutes are ?
A. right angles
B. bowed outward
C. straight lines
D. nonexistent
E. bowed inward

2703. uppose a consumer must choose between the consumption of sandwiches and pizza. If we measure the quantity of pizza on the horizontal axis and the quantity of sandwiches on the vertical axis and if the price of a pizza is Rs10 and the price of a sandwich is Rs5, then the slope of the budget constraint is ?
A. **2**
B. 10
C. 1/2
D. 5

2704. Which of the following statements is not true with regard to the standard properties of indifference curves ?
A. Indifference curves are downward sloping
B. indifference curves are bowed outward
C. Indifference curves do not cross each other
D. Higher indifference curve is preferred to lower ones

2705. Which of the following is true about the consumer’s optimum consumption bundle? At the optimum ?
A. the slope of the indifference curve equals the slope of the budget constraint
B. the indifference curve is tangent to the budget constraint
C. the relative prices of the two goods equals the marginal rate of substitution
D. none of these answers are true
E. all of these answers are true

2706. If an increase in a consumer’s income causes the consumer to increase his quantity demand of a good, then the good is ?

A. a complementary good
B. an inferior good
C. a normal good
D. a substitute good

2707. Refer to Exhibit 4. Suppose that the consumer must choose between buying socks and belts Also suppose that the consumer's income is €100 If the price of a belt is €10 and the price of a pair of socks is €5, the consumer will choose to buy the commodity bundle represented b point ?
A. **Z**
B. X
C. Y
D. the optimal point cannot be determined from this graph

2708. Refer to Exhibit 4, Suppose that the consumer must choose between buying socks and belts Also suppose that the consumer's income is €100 Suppose that the price of a pair of socks falls from €5 to €2 The income effect is represented by the movement from point ?
A. **X to point Y**
B. X to point Z
C. Y to point X
D. Z to point X

2709. The change in consumption that results when a price change moves the consumer along a given indifference curve is known as the ?
A. inferior effect
B. normal effect
C. substitution effect
D. complementary effect
E. income effect

2710. If leisure is a normal good, an increase in the wage ?
A. will always increase the quantity of labor supplied
B. will increase the amount of labor supplied if the substitution effect outweighs the income effect
C. will increase the amount of labor supplied if the income effect outweighs the substitution effect
D. will always decrease the amount of labor supplied

2711. A change in the relative prices of which of the following pair of goods would likely cause the smallest substitution effect ?
A. **right shoes and left shoes**
B. petrol from BP and petrol from shell
C. kit-Kat chocolate snacks and Twix chocolate snacks
D. coke and Pepsi

2712. Which of the following is not true regarding the outcome of a consumer's optimization process ?

A. The marginal utility per dollar spent on each good is the same
B. The marginal rate of substitution between goods is equal to the ratio of the prices between goods
C. The consumer's indifference curve is tangent to his budget constraint
D. The consumer has reached his highest indifference curve subject to his budget constraint
E. The consumer is indifferent between any two points on his budget constraint

2713. The slope at any point on an indifference curve is known as ?

A. **the marginal rate of substitution**
B. the marginal rate of trade-off.
C. the trade-off rates
D. the marginal rate of indifference

2714. The consumer's optimal purchase of any two goods is the point where ?

A. the budget constraint crosses the indifference curve
B. the two highest indifference curves cross
C. the consumer reaches the highest indifference curve subject to remaining on the budget constraint
D. the consumer has reached the highest indifference curve

2715. Suppose we measure the quantity of good X on the horizontal axis and the quantity of good Y on the vertical axis If indifference curves are bowed inward, as we move from having an abundance of good X to having an abundance of good Y, the marginal rate of substitution of good Y for good X (the slope of the indifference curve) ?

A. **rises**
B. stays the same
C. could rise or fall depending on the relative prices of the two goods.
D. falls

2716. If an increase in a consumer's income causes the consumers to decrease her quantity demanded of a good, then the good is ?

A. a substitute good
B. a normal good
C. a complementary good
D. an inferior good

2717. Refer to Exhibit 4, Suppose that the consumer must choose between buying socks and belts Also suppose that the consumer's income is

€100 Suppose that the price of a pair of socks falls from €5 to €2 The substitution effect is represented by the movement from point ?

A. **Z to point X**
B. X to point X
C. X to point Z
D. Y to point X

2718. Refer to Exhibit 4, Suppose that the consumer must choose between buying socks and belts Also suppose that the consumer’s income is €100 A pair of socks is ?

A. an inferior effect
B. a Geffen good
C. a normal good
D. none of these answers

2719. If income where to double and prices were to to double the budget line would ?

A. **stay the same**
B. rotate inward
C. shift outward in a parallel fashion
D. rotates outward
E. shift inward in parallel fashion

2720. If consumption when young and when old are both normal goods, an increase in the interest rate ?

A. will always increase the quantity of saving
B. will always decrease the quantity of saving
C. will increase the quantity of saving if the substitution effect outweighs the income effect
D. will increase the quantity of saving if the income effect outweighs the substitution effect

2721. A reasonable measure of the standard of living in a country is ?

A. **real GDP per person**
B. nominal GDP per person.
C. Real GDP
D. The growth rate of nominal GDP per person

2722. When a national has very little GDP per person ?

A. it is doomed to being relatively poor forever
B. none of these answers
C. an increase in capital will likely have little impact on output
D. it has the potential to grow relatively quickly due to the “catch-up-effect”
E. It must be a small nation.

2723. The opportunity cost of growth is ?

A. a reduction in current investment
B. a reduction in current consumption
C. a reduction in taxes
D. a reduction in current saving

2724. Which of the following statements is true ?
A. Countries all have the same growth rate and level of output because any country can obtain the same factors of production
B. Countries have great variance in both the level and growth rate of GDP/person thus poor countries can become relatively rich over time
C. Countries may have different level of GDP/person but they all grow at the same reate
D. Countries may have a different growth rate but they all have the same level of GDP/person

2725. Copper is an example of ?
A. a renewable natural resource
B. physical capital
C. technology
D. a non-renewable natural resource

2726. Thomas Malthus argued that ?
A. none of these answers
B. an ever-increasing population is constrained only by the food supply resulting in chronic faminies
C. technological progress will continuously generate improvement in productivity and living standards.
D. labor is the only true factor of production

2727. Which of the following describes an increase in technological knowledge ?
A. A farmer sends his child to agricultural college and the child returns to work on the farm
B. A farmer hires another day laborer
C. A farmer buys another tractor
D. A farmer discovers that it is better to plant in the spring rather than in the fall

2728. Which of the following is an example of foreign portfolio investment ?
A. Toyota builds a new plant in the north of England
B. EDF of France buys shares in Scottish & Southern Energy of the UK, and Scottish & Southern Energy uses the Proceeds to build a new hydro-electric power station in Scotland
C. Deutsche Bank of Germany buys some new software from UK

Supplier
D. JCB builds a new plant near Manchester

2729. **If Toyota builds a new plant in the north of England ?**
A. None of these answers
B. There has been an increase in foreign portfolio investment in the UK
C. Once the plant starts producing cars UK GDP will rise less than UK GNP
D. once the plant starts producing cars UK GDP will rise more than UK GNP

2730. **Which of the following expenditures to enhance productivity is most likely to emit a positive externality ?**
A. Megabank buys a new computer
B. Naila pays her university tuition fees.
C. OGDC leases a new oil field
D. Indus Motors buys a new drill press

2731. **To increase growth, governments should do all of the following except ?**
A. encourage foreigners to investment in your country
B. encourage saving and investment
C. nationalize major industries
D. encourage research and development
E. Promote free trade

2732. **Many East Asian countries are growing very quickly because ?**
A. **They save and invest an unusually high percentage of their GDP**
B. They have always been wealthy and will continue to be wealthy, which is known as the "snowball effect"
C. They are imperialists and have collected wealth from previous victories in war
D. They have enormous natural resources.

2733. **Once a country is wealthy ?**
A. it no longer needs any human capital
B. capital becomes more productive due to the "catch-up- effect"
C. none of these answers
D. it may be harder for it to grow quickly because of the diminishing returns to capital

2734. **For a given level of technology, we should expect an increase in productivity within a nation when there is an increase in each of the following except ?**

A. **labor**
B. physical capital/worker
C. human capital/worker
D. natural resources/worker

2735. If a production function exhibits constant returns to scale ?
A. doubling all of the inputs more than doubles output due to the catch-up effect
B. doubling all of the inputs has absolutely no impact on output because output is constant
C. doubling all of the inputs less than doubles output due to diminishing returns
D. doubling all of the input's doubles output

2736. Which of the following statements regarding the impact of population growth on productivity is true ?
A. There is no evidence, yet that rapid population growth stretches natural resources to the point that it limits growth in productivity
B. All of these answers
C. Rapid population growth may dilute the capital stock lowering productivity
D. Rapid population growth may promote technological progress increasing productivity.

2737. Which of the following best describes the rate of growth in productivity in the United states over the last fifty years ?
A. Productivity growth has been steady over the last 50 years
B. Productivity has been growing more slowly every decade since world War II
C. Productivity grew quickly in the 1950s and 1960s more slowly from the early 1970s through 1995 and then quickly again
D. Productivity grew slowly from the 1950s through the 1970s and then began to accelerate probably due to advances in computer technology

2738. Our standards of living is most closely related to ?
A. how hard we work:
B. our supply of capital because everything of value is produced by machinery
C. our productivity because our income is equal to what we produce
D. our supply of natural resources because they limit production

2739. Which of the following government policies is least likely to increase likely to increase growth in Africa ?

A. increase expenditure on public education
B. eliminate civil war
C. All of these answers would increase growth
D. increase restrictions on the importing of American tractors and electronics

2740. If in Pakistan real GDP/person in 2004 is Rs18,073 and real GDP/person is 2005 is Rs18,635 What is the growth rate of real output per person over this period ?
A. **3.1 percent**
B. 3.0 percent
C. 18.6 percent
D. 18.0 percent

2741. As economic development proceeds income inequality tends to follow a(n) _____ curve?
A. convex
B. inverted U shaped
C. L-shaped
D. S-Shaped

2742. Peasants are ?
A. rural politicians
B. rural cultivators
C. rural industrialist
D. rural, religious group

2743. A country's capital stock is the ?
A. approximated investment minus actual investment
B. inflow of investment from abroad
C. sum of previous gross investment minus depreciation
D. difference between GDP and capital consumption

2744. Export primary commodity concentration ratios are ?
A. **commodity exports as a percentage of GDP per capita of exporting country divided by importing country**
B. export earnings as a ratio of population
C. total merchandise export divided by Gross National Income
D. food, raw materials minerals and organic oils and fat as a percentage of total merchandise exports

2745. Economic rent ?
A. is productive activity to obtain private benefit from public action and resources
B. are the payments above the minimum essential to attract the resources to the market?

C. is the wage used to pay unskilled workers?
D. does not include monopoly profits

2746. The informal sector includes ?

2747. I-artisans, cottage industrialists, petty traders, teashop proprietors
II- garbage pickers jitney unauthorized taxis repair persons
III- the self employed
IV- activities with little capital skill and entry barriers
A. I and II only
B. III and IV only
C. IV only
D. I, II, III and IV

2748. Which of the following is not a requirement for economic development ?
A. **a temperate climate**
B. natural resources
C. an adequate capital bases
D. technological advance

2749. A country's export commodity concentration ratio is the ?
A. average annual investment made in production of exported commodities
B. proportion of the primary export commodity in total exports
C. ratio of four leading commodities to total merchandise exports
D. total annual investment made in production of exported commodities

2750. Increasing in the real GNP per capita occur when ?
A. government programs direct resources away from investment goods to consumer goods.
B. tariffs and quotas prevent countries from trading and thus prevent dollars from leaving each country
C. the rate of growth in real GNP is greater than the rate of growth in the population
D. the level of consumption expenditures rises relative to the level of savings

2751. What is gross domestic product (GDP) ?
A. income earned through foreign exchange
B. the number of dollars earned in industry
C. income earned within a country's boundaries
D. goods received from the nation's residents

2752. Industrialization?
A. causes development
B. is positively related to development

C. id inversely related to development
D. inhibits development

2753. The low-income economies generally have the following except ?
A. deficient infrastructures
B. low life expectancies
C. low savings
D. a per capital GNP of more than $900

2754. Increases in real GNP per capita occur when ?
A. government programs direct resources away from investment goods to consumer goods.
B. tariffs and quotas prevent dollars from leaving the country
C. the rate of growth of real GNP is greater than the rate of growth of population
D. the level of consumption expenditures rises relative to the level of saving

2755. Two or more nuclear families of parent(s) and children is known as ?
A. dual family
B. institutional family
C. extended family
D. two-tier family tree

2756. Which of the following statement is true about low-income countries ?
A. less than 10% of the labor force is in agriculture
B. the average agriculture family produces surplus large enough only to supply small non-agriculture population
C. One-third of the labor force produce food
D. share of labor force is about 30%

2757. According to Lewis's model the dual economy grows only when ?
A. **the modern sector increases its output share relative to the traditional sector**
B. agricultural sector uses modern equipment
C. agricultural sector hires labor economically
D. modern manufacturing sector is labor intensive

2758. The following statements are true about informal sector except ?
A. Uses no mechanical power
B. May be enterprises with less than 10 workers
C. Production is capital intensive
D. Uses family workers

2759. Clientelism ?
I- is also known as patrimonialism
II- is the dominant pattern in many LDCs

III- is a personalized relationship between patrons and clients
IV- commands equals wealth, status or influence, based on unconditional loyalties and involving mutual benefits

2760. I and II only
B. II and III only
C. I, II and III only
D. IV only

2761. Which one of the following countries is not a high-income country ?
A. Germany
B. United Kingdom
C. Canada
D. Mexico

2762. Assume that the real income of developing Island increases from $120,000 to $160,000 from 2005 to 2006 while its population expands from 1000 to 1100 during the same period Real income per capita has increased by about ?
A. $145
B. $40,000
C. $25
D. $100

2763. In low-income countries the average agricultural family produces a surplus ?
A. **enough to supply only a small nonagricultural population**
B. of zero
C. large enough of feed five other families
D. large enough to feed 25 other families

2764. What is the ratio of population density of developing countries to the population of developed countries ?
A. 10
B. 2
C. no more than 1
D. 20

2765. Dual economies are countries ?
A. with double capital and labor/
B. with a modern manufacturing sector as well as traditional agriculture sector
C. that specialize in labor intensive products more than capital intensive products
D. with foreign owned and domestically owned capital

2766. A dual economy is distinguished from other economies by having ?

A. an industrial sector and a manufacturing sector
B. a traditional agricultural sector and a modern industrial sector
C. state owner ship of the means of production
D. an industrial sector that concentrates on manufacturing and construction

2767. Canada France, Germany, Italy, Japan, The United Kingdom and United States are ?
A. **G-7 countries**
B. countries with highest productivity growth in the world since 1960
C. countries with decreasing TFP growth since 1990s
D. countries with the lowest information technology equipment and software index prices

2768. James Pickett D. J. C. Forsyth, and N. S McBain on the basis of field research in Africa, concluded that business people often want to use the most advanced design without knowing that it may not be the most profitable. They attribute this attitude to ?
A. maximum capital absorption
B. factor price distortions
C. engineering mentality
D. intermediate technology

2769. he efficiency wage is the ?
A. wage costs per unit of output
B. wage rate that prevails in LDCs
C. Wage rate divided by the productivity of labor
D. marginal product of labor divided by wage

2770. Suppose a project results in a net stream of $200 per year for 4 years, but nothing thereafter, Assume that the discount rate is 5 percent. The discounted value of the total income stream over the 4-year period is ?
A. 800
B. 40,000
C. more than zero but less than 800
D. less than zero

2771. Which of the following is not a nature public monopoly ?
A. **mobile phone**
B. electricity
C. water supply
D. postal service

2772. A case when internal economies of scale bring about a continuously falling average cost curve that makes having more than one firm in an industry inefficient is illustrative of ?

A. **a natural monopoly**
B. an LDC's limit of one firm to an industry
C. an individual firm facing a horizontal (perfectly elastic) demand curve in LDCs
D. The existence of oligopoly

2773. In the long run, expanding educational and training facilities, transportation and communication and other infrastructure in LDCs should increase ?

A. productivity paradox
B. absorptive capacity
C. the residual
D. uncertainly

2774. You can see the computer age everywhere but, in the productivity, statistics is a attributed to which economist ?

A. Dale Jorgenson
B. Joseph Stieglitz
C. Robert Solow
D. Theodore W. Schultz

2775. Lack of absorptive capacity in developing countries results from ?

A. inadequate government bureaucracy
B. small size of infrastructure
C. too few innovative entrepreneurs
D. unsuitable technology
E. All of the above are correct

2776. Which of the following is not True ?

A. In 1990 the world had 98 mainline phones and 2 mobile phones per 1,000 people: in 2001 169 mainline and 153 mobiles per 1000
B. Mobile phones do not require the massive infrastructure investment that mainline telephone require
C. In 2001 the World information technology expenditures were about 1/20 of 1% of world gross investment
D. In 2001 internet users per 1000 people in middle income countries were greater than high income countries

2777. Which of the following is True is LDCs ?

A. **Labor is often underemployed, having a low alternative cost**
B. It is cheaper to hire labor in LDC because its productivity is relatively higher than in DCs
C. Adapting existing Western technology to LDC conditions requires

little creativity
D. Labor is usually considered the scarce factor

2778. Vaccinating people for measles, rubella, polio and cholera to substantially increase net social benefits by improving the health and productivity of the population is an example of ?
A. economies of scale
B. external economies
C. negative externality
D. net present value

2779. An example of external diseconomies is ?
A. scholarship for technical education
B. R&D in robotics
C. a new drug to cure AIDS
D. environmental pollution

2780. Market price adjusted to consider differences between social cost-benefit and private cost-benefit calculations are ?
A. price distortions
B. consumer surplus
C. shadow prices
D. exchange rates

2781. In the 1980s economists studying the source of growth observed no positive relationship between information and communications technology (ICT) investments and productivity This is known as ?
A. Solow residual
B. productivity paradox
C. technological followership
D. Stieglitz discrepancies

2782. Which of the following statements regarding the loanable funds market is not true ?
A. A decrease in a country's net capital outflow shifts the demand for loanable funds to the left
B. An increase in domestic investment shifts the demand for loanable funds to the right
C. An increase in a country's net capital outflow shifts the supply of loanable funds to the left
D. An increase in a country's net capital outflow raises its real interest rate

2783. Which of the following statement regarding the loanable funds market is true ?
A. A decrease in the government budget deficit increase the real interest rate

B. An increase in the government budget deficit shifts the supply of loanable funds to the right
C. An increase in private saving shifts the supply of loanable funds to the left
D. An increase in the government budget deficit shifts the supply of loanable funds to the left

2784. An increase in the Pakistan's government budget deficit ?
A. Increase Pakistan's net exports and decrease Pakistan's net capital outflow
B. decreases Pakistan's net exports and Pakistan's net Capital outflow the Pakistan's same amount
C. Increase Pakistan's net exports and Pakistan's net capital outflow the same amount
D. decreases Pakistan's net exports and increase Pakistan's net capital outflow

2785. The Phrase "twin deficits" refers to ?
A. **A country's trade deficit and its government budget deficit**
B. The fact that if a country has a trade deficit, its trading partners must also have trade deficits
C. the equality of a country's saving deficit and its investment deficit
D. a country's trade deficit and its net capital outflow deficit

2786. Which of the following statements regarding the market for foreign currency exchange is true ?
A. An increase in Pakistan's net exports decreases the supply of rupees and the rupees depreciates
B. An increase in Pakistan's net exports increase the demand for rupees and the rupees appreciates
C. An increase in Pakistan's net exports increases the Supply of rupees and the rupees depreciates
D. An increase in Pakistan's net exports decrease the demand for rupees and the rupees appreciates

2787. Which of the following statements regarding the market for foreign currency exchange is true ?
A. **An increase in Pakistan's net capital outflow increase the supply of rupees and the rupees depreciate**
B. An increase in Pakistan's net capital outflow increase the demand of rupees and the rupees appreciate
C. An increase in Pakistan's net capital outflow increase the demand of rupees and the rupees depreciate
D. An increase in Pakistan's net capital outflow increase the supply of rupees and the rupees appreciate

2788. If the EU imposes a quota on the importing of clothing produced in China, so reducing UK imports of clothing, which of the following is true regarding UK net exports ?

A. Net exports will rise
B. None of these answers
C. Net exports will fall
D. Net exports will remain unchanged

2789. Suppose, due to political instability, Russians suddenly choose to purchase UK assets as opposed to Russian assets Which of the following statements is true regarding the value of the pound and UK net exports ?

A. The pound appreciates, and UK net exports rise
B. The pound appreciates, and UK net exports fall
C. The pound depreciates, and UK net exports rise
D. The pound depreciates, and UK net exports fall

2790. An increase in Pakistan's private saving ?

A. **increase Pakistan's net exports and Pakistan's net capital outflow the same amount**
B. Increase Pakistan's net exports and decrease Pakistan's net capital outflow
C. decreases Pakistan's net exports and Pakistan's net capital outflow the same amount
D. decrease Pakistan's net exports and increase Pakistan's net capital outflow

2791. An example of a trade policy is ?

A. **A tariff on sugar**
B. All are examples of trade policy
C. capital flight because it increases a country's net exports
D. an increase in the government budget deficit because it reduces a country's net exports

2792. Which of the following groups would be most harmed by a UK government budget deficit ?

A. Foreigners who wish to buy assets in the UK
B. BAe Systems wishing to sell aircraft to Saudi Arabia
C. UK residents wishing to buy foreign Produced cars
D. Lenders of loanable funds

2793. Capital flight ?

A. decreases a country's net exports and increases its long-run growth path
B. increases a country's net exports and increases its long-run growth path

C. increases a country's net exports and decreases its long-run growth path
D. decreases a country's net exports and decreases its long-run growth path

2794. An increase in the government budget deficit ?
A. has no impact on the real interest rate and fails to crowed out investment
B. decreases the real interest rate and crowds out investment
C. None of these answers
D. Increases the real interest rate and crowds out investment

2795. An increasing in Europe's taste for UK produced Hondas would cause the pound to ?
A. depreciate and would increase UK net exports
B. appreciate and would increase UK net exports
C. depreciate and would decrease UK net exports
D. appreciate, but the total value of UK net export stays the same

2796. If the EU imposes a quota on the importing of clothing produced in China, so reducing UK imports of clothing Which of the following is true regarding the market for foreign currency exchange ?
A. The demand for pounds decreases and the pound depreciates
B. The Supply of pounds increases, and the pound depreciates
C. The Supply of pounds decreases, and the pound appreciates
D. The demand for Pounds increases and the pound appreciates

2797. Suppose, due to political instability, Russians suddenly choose to invest in UK assets as opposed to Russian assets Which of the following statements is true regarding UK net foreign investment ?
A. UK net foreign investment is unchanged because only UK residents can after UK net foreign investment
B. UK net foreign investment rises
C. UK net foreign investment falls
D. None of the above

2798. Which of the following statements about trade policy is true ?
A. **A country's trade policy has no impact on the size of its trade balance**
B. None of these answers
C. A restrictive import quota decreases a country's net exports
D. A restrictive imports quota increases a country's net exports

2799. Which of the following groups would not benefit from an EU imports quota on Japanese cars ?
A. Eu consumers who buy electronics from Japan
B. EU farmers who export grain

C. employees of EU car manufacturers
D. Shareholders of German carmaker BMW

2800. An export subsidy should have the opposite effect of ?
A. A government budget deficit
B. Capital flight
C. An increase in Private saving
D. A tariff

2801. Dani Rodrik points out that ?
A. an economy more open to foreign trade and investment faces a more inelastic demand for unskilled workers
B. employers and consumers can more readily replace domestic workers with foreign workers by investing abroad or buying imports
C. globalization increases job insecurity
D. financial liberalization in LDCs leads to collapse of the economy

2802. Which of the following statement is NOT true about OECD aid ?
A. During the 1980s OECD countries contributed four fifths of the world’s bilateral official development assistance to LDCs
B. In the early 1990s the OECD contributed 98 percent of all aid
C. The OECD aid increased from $6.9 billion in 1970 to $8.9 billion in 2001
D. In 2001, only Denmark Norway, Sweden, the Netherlands, and Luxembourg exceeded the aid target for LDCs

2803. Japan’s programs ?
I- are understaffed politically muddled and administratively complex
II- are biased toward Asia
III- go primarily to less developed countries in Africa
IV- focus on loans and the grant element of aid is low

2804. I, II and III
B. I, II and IV
C. II, III and IV
D. I, II, III and IV

2805. Aid or official development assistance (ODA) includes ?
I- developments grants
II- loans with at least 25 percent grant element
III- military assistance
IV- technical cooperation

2806. I and II only
B. I, II and III only
C. I, II and IV only
D. I, II, III and IV only

2807. I = S + F The equation above states that a country can increase its new capital formation (or investment) through is ?

A. **own domestic savings and by inflows of capital from abroad**
B. stock market and fiscal policy
C. savings from abroad and financial outflow
D. savings and financial liberalization

2808. An annual summary of country's international economic and financial transactions is ?

A. the capital accounts
B. the international balance of payments statements
C. the long-term current account
D. the trade accounts

2809. Hollis Chenery and Alan Strout identity three development stages in which growth proceeds at the highest rate permitted by the most limiting factors These factors are ?

I- the skill limit
II- the savings gap
III- the fiscal gap
IV- the foreign exchange gap

2810. I and II only
B. II and IV only
C. I, II and III only
D. I, II and IV only

2811. Barro and Lee find that ceteris paribus, IMF lending has ?

A. negative effect on economic growth during the simultaneous five-year period but has a significantly positive effect on growth in the subsequent five years
B. no effect on economic growth during the simultaneous five-year period but has a significantly negative effect on growth in the subsequent five years
C. a significantly positive effect on growth in the subsequent five years
D. an exponentially negative effect on growth ten years

2812. The IMF is an agency charged with providing ?

A. technical assistance to stock market and financial market problems
B. loans for post-World War II reconstruction
C. short-term credit for international balance of payments deficits
D. bonds denominated in U.S dollars as a loan to LDCs

2813. In a portfolio investment ?

A. investors are directly involved in managing the operations
B. as in direct investment investors export goods and services

abroad
C. investors transfer the technology to local investors
D. investors have no control over operations

2814. Columbia's Jagdish Bhagwati criticizes United States administrations inability to distinguish between benefits of free trade ?
A. **and the dangers of free capital movements for LDCs with poorly developed financial institutions**
B. and the dangers of a trade deficit
C. and the external openness of income growth among the poorest 40 percent of LDCs
D. and MNC domination and its effects on income distribution

2815. The balance on current account ?
I- equals the absolute value of the balance on capital account
II- is financed by savings
III- is net grants minus remittances
IV- includes goods services and unilateral transfers

2816. I and II only
B. II and III only
C. I and IV only
D. None of the above

2817. Bilateral aid ?
A. is technical aid given by IMF
B. is given directly by one country to another
C. is aid with repayment in inconvertible currency
D. is a loan at bankers' standards

2818. MNCs can help the developing country to ?
I- Finance a savings gap or balance of payments deficit
II- Obtain foreign technology by adapting existing processes
III- Generate appropriate technology by adapting existing processes
IV- Employ domestic labor, especially in skilled jobs

2819. I and II only
B. III and IV only
C. I, II and III only
D. I, II, III and IV

2820. Some economists and third-world policy makers criticize MNCs arguing that they have a negative effect on the developing country because they ?
I- increasing the LDC's technological dependence on foreign sources resulting in less technological innovation by local workers
II- Hamper local entrepreneurship and investment in infant industries
III- increase unemployment rates from unsuitable technology

IV- Restrict subsidiary exports when they undercut the market of the parent company

2821. I and II only
B. III and IV only
C. I, II and III only
D. I, II, III and IV

2822. **Carmen Reinhart and Kenneth Rogoff explain the paradox of capital flows from poor to rich countries by ?**
A. the brain drains from LDCs to DCs
B. the price role of political and credit-market risk in many LDCs
C. the law of increasing returns that implies that the marginal productivity of capital is higher in LDCs
D. the fat that the DC capital market is perfectly competitive

2823. **The U.S real food aid, as well as food reserves dropped from the 1960s to the 1980s partly because ?**
A. the transportation and storage cost increased tremendously
B. proponents of basic-needs attainment opposed food-aid
C. U.S farm interests wanted to reduce surplus grain stocks
D. agricultural production suffered excessively due to weather changes

2824. **For Harvard's Dani Rodrik Globalization involves ?**
A. decreasing autonomy of the nation-state involves
B. the increasing international integration of markets for goods services and capital
C. changes of a traditional culture of a country to a western culture
D. giving aid to poor countries to improve their economy politics and social status

2825. **U.S total official development assistance to developing countries is ?**
A. lowest among the OECD countries
B. higher currently than it was in the 1960s and 1970s
C. is equivalent to Holland's aid
D. None of the above statements is true

2826. **Accounting profit is equal to total revenue minus ?**
A. implicit costs
B. variable costs
C. the sum of implicit and explicit costs.
D. explicit costs.
E. marginal costs

2827. **Naila owns a small pottery factory. She can make 1000 pieces of pottery per year and sell them for Rs 100 each. It costs Naila Rs 20,000 for the raw materials to produce the 1,000 pieces of pottery**

She has invested Rs100,000 in her factory and equipment: Rs50,000 from her savings and Rs50,000 borrowed at 10 per cent. (Assume that she could have loaned her money out at 10 her per cent, too) Naila can work at a competing pottery factory for Rs40,000 per year. The accounting profit at Naila's pottery factory is ?

A. Rs30,000
B. Rs35,000
C. Rs75,000
D. Rs70,000

2828. If there are implicit costs of production ?

A. **accounting profit will exceed economic profit**
B. economic profit will always be zero
C. economic profit will exceed accounting profit
D. accounting profit will always be zero
E. economic profit and accounting profit will be equal

2829. If a production function exhibits diminishing marginal product the slope of the corresponding total-cost curve ?

A. is liner (a straight line)
B. could be any of these answers
C. becomes steeper as the quantity of output increases
D. become flatter as the quantity of output increases.

2830. Which of the following is a variable cost in the short run ?

A. rent on the factory
B. wages paid to factory labor
C. interest payments on borrowed financial capital
D. payments on the lease for factory equipment
E. salaries paid to upper management

2831. If marginal costs equal average total costs ?

A. average total cost is falling
B. average total cost is raising
C. average total cost is maximized
D. average total cost is minimized

2832. In the long run, if a very small factory were to expand its scale of operations it is likely that it would initially experience ?

A. an increase in average total costs
B. diseconomies of scale
C. economies of scale
D. constant returns to scale

2833. The efficient scale of production is the quantity of output that minimizes ?

A. average fixed cost
B. average total cost
C. average variable cost
D. marginal cost

2834. Economic profit is equal to total revenue minus ?
A. variable costs
B. implicit costs
C. explicit costs
D. marginal costs

2835. Naila owns a small pottery factory. She can make 1000 pieces of pottery per year and sell them for Rs 100 each. It costs Naila Rs 20,000 for the raw materials to produce the 1,000 pieces of pottery She has invested Rs100,000 in her factory and equipment: Rs50,000 from her savings and Rs50,000 borrowed at 10 per cent. (Assume that she could have loaned her money out at 10 her per cent, too) Naila can work at a competing pottery factory for Rs40,000 per year. The economics profit at Naila's pottery factory is ?
A. Rs80,000
B. Rs30,000
C. Rs75,000
D. Rs70,000

2836. If a production function exhibits diminishing marginal product. its slope ?
A. is linear (a straight line)
B. becomes steeper as the quantity of the input increase
C. could be any of these answers
D. becomes flatter as the quantity of the input increase

2837. Which of the following statements is true ?
A. All costs are fixed in the short run.
B. All costs are variable in the long run
C. All costs are variable in the short run
D. All costs are fixed in the long run

2838. When marginal costs are below average total costs ?
A. average fixed cost is rising
B. average total cost is falling
C. average total cost is raising
D. average total cost is minimized

2839. If as the quantity produced increase a production function first exhibits increasing marginal product and later diminishing marginal product, the corresponding marginal-cost curve will ?

A. be flat (horizontal)
B. slope upward
C. slope downward
D. be U-shaped.

2840. Jamil's car is in need of repair, so John decides to sell it avoid the repair bill. Unaware of the problem, Shahab buys the car. This is an example of ?
A. **hidden actions**
B. adverse selection
C. moral hazard
D. adverse selection

2841. Markus is a travelling salesman for an apparel company. In this employment relationship, Markus is the ?
A. **agent**
B. principle
C. screener
D. signaler

2842. Which of the following is an example of a signal that is used to reveal private information ?
A. Enzo carefully chooses a special gift for Josephine
B. Josephine earns her MBA from the Harvard Business School
C. Lexus advertises its cars during the football World Cup Final.
D. All of these answers are correct

2843. Which of the following is not a method firms use to avoid the moral hazard problem in the employment relationship ?
A. They pay employees with delayed compensation such as a year-end bonus
B. They buy life insurance on their workers
C. They pay above equilibrium wages
D. They put hidden video cameras in the workplace

2844. A life insurance company forces Enzo to have a medical examination prior to selling him insurance ?
A. **transitivity**
B. impossibility
C. independence
D. unanimity

2845. Refer to Figure 1 What percent of the population vote for A when the choice is between A and B ?
A. 75 percent
B. 35 percent
C. 60 percent

D. 40 percent
E. 25 percent

2846. hich of the following is not a property required of a perfect voting system ?
A. **The median voter always wins**
B. no dictators
C. independence of irrelevant
D. transitivity

2847. Which of the following is true under pairwise majority rule if people vote for the outcome closest to their most preferred outcome ?
A. The average preferred outcome wins
B. There is no clear winner due to Arrow's Impossibility Theorem.
C. The outcome preferred by the median voter wins
D. The outcome preferred by the greatest number of voters wins.

2848. In the ultimatum game, what split would be rational for both the person proposing the split and the person who must accept or reject the split ?
A. There is no rational solution
B. 75/25
C. 99/1
D. 1/99
E. 50/50

2849. Jamil's friend dies of a sudden heart attack. Jamil rushes to his doctor for an expensive physical examination. This response demonstrates that ?
A. **People give too much weight to a small number of vivid observations**
B. People easily change their minds when confronted with new information
C. People enjoy going to the doctor
D. People tend to plan ahead and follow through on their plans

2850. Which of the following is a response to People's inconsistent behavior over time ?
A. all of these answers
B. forced contributions to a retirement plan
C. year-end bonuses
D. efficiency wages

2851. Nicole wants to avoid buying a car that is a lemon. She takes a car she would like to buy to her mechanic before she purchases it. This is known as ?

A. **screening**
B. signaling
C. moral hazard
D. adverse selection

2852. Which of the following must be true about a signal that is used to reveal private information in order for the signal to be effective ?
A. It must be “as seen on TV”
B. It must be free to the signaling party
C. It must be costly to the signaling party but less costly to the party with higher-quality product
D. It must be applied to an inexpensive product

2853. Which of the following best demonstrates the problem of moral hazard ?
A. Josephine doesn’t buy health insurance because it is too expensive, and she is healthy
B. A life insurance company forces Enzo to have a medical examination prior to selling him insurance
C. Enzo drives more recklessly after he buys car insurance
D. Fatima chooses to attend a well-respected college

2854. Suppose that 40 percent of the voting population wish to spent Rs1,000 for artwork in City Hall, 25 percent wish to spent Rs20,000 and 35 percent wish to spend Rs 22,000 What is the median preferred outcome, the average preferred outcome and the modal preferred outcome ?
A. Rs20,000; Rs20,000; Rs22,000
B. Rs1,000; Rs14,333; Rs1,000
C. Rs20,000; Rs13,100; Rs1,000
D. Rs1,000; Rs20,000; Rs22,000

2855. Which of the following is not true about how people make decisions ?
A. people give too much weight to a small number of vivid observations
B. People are sometimes too sure of their own abilities
C. All of these answers are actually true statements about how people make decisions.
D. People are always rational maximizers
E. People are reluctant to change their minds in the face of new information

2856. Which of the following help explain why firms pay bonuses to workers during particularly profitable years to prevent workers from becoming disgruntled ?

A. people are rational maximizers
B. People are reluctant to change their minds
C. People are inconsistent over time
D. People care about fairness

2857. Spending on motoring as a % of household expenditure in the UK shows that motoring is ?
A. Environmentally damaging
B. an inferior good
C. a potential public good
D. a superior good

2858. Evidence suggests that the price elasticity of demand for motoring is ?
A. absolutely inelastic
B. Unitarily elastic
C. Elastic
D. inelastic

2859. Which city has the following transport policy ?
A. Car licenses are very expensive vehicle entry to the city center is very restricted road pricing is being introduced and modern cheap rail transport is being expanded.
B. London
C. Athens
D. Singapore
E. New York

2860. Supporters of antimonopoly enforcement argue that the real gain from such enforcement ?
A. is that if encourages firms to engage in research which leads to new products
B. is the revenue generated from the fines paid by those individuals who are found guilty of antitrust violation?
C. Is that this policy serves to deter firms from engaging in such practices as collusion, price-fixing and deceptive advertising
D. is that it forces firms to produce efficiently.

2861. A horizontal merger is a merger of?
A. firms producing unrelated products
B. firms producing complementary products
C. firms at various stages in a production process.
D. firms producing the same product

2862. A merger between a paper producer and a book publisher is an example of?

A. a conglomerate merger.
B. a horizontal merger
C. a complementary products merger.
D. a vertical merger

2863. A merger in which firms at various stages in a production process combine is a ?
A. production merger
B. vertical merger
C. conglomerate merger.
D. horizontal merger

2864. A firm charging different buyers' different prices for the same product is practicing ?
A. Competitive pricing.
B. Price discrimination
C. price discounting.
D. price fixing.

2865. Privatization is the transfer of ?
A. corporately owned businesses to individuals
B. publicly held stock to private individuals.
C. government businesses to the private sector
D. privately owned businesses to the government sector

2866. De-regulation is where the government ?
A. removes barriers to entry
B. imposes higher standards of conduct
C. removes barriers to entry and minimum product quality standards
D. breaks up private sector monopolies.

2867. In the country X it is now becoming possible to buy electricity from a gas company and gas from an electricity company. This is called ?
A. deregulation
B. making markets contestable
C. natural monopoly.
D. cross-subsidization.

2868. Economists use the term regulatory capture to mean a situation where the private sector firms being regulated ?
A. **Persuade the regulator to operate in the industry's interests**
B. Persuade the regulator to act in the firms interests.
C. Bribe the regulator.
D. Persuade the government to change the regulatory regime.

2869. Between 1990 and 1999 car ownership per thousand of the population fell in ?

A. Spain
B. Belgium
C. USA
D. UK

2870. The external benefits of using cars are ____ and the external costs are _____?
A. low; low
B. high; high
C. low; high
D. high; low

2871. Antimonopoly laws are based on the proposition that ?
A. increasing market power is the best way to achieve efficiency.
B. competition is the best way to achieve efficiency.
C. public ownership is the best way to achieve efficiency
D. regulation is the best way to achieve efficiency.

2872. A conglomerate merger is a merger of ?
A. firms producing the same product
B. firms at various stages in production process.
C. firm producing complementary products
D. firms producing unrelated products.

2873. Sales staff are keen to sell extended warranties because ?
A. extended warranties offer value for money.
B. the cost of repair will usually exceed the cost of the warranty
C. they are paid commission on each extended warranty they sell.
D. They are concerned about customer satisfaction.

2874. In the UK, electricity industry parts are a ____ and other parts are ___ ?
A. nationalized; privatized
B. natural monopoly; potentially competitive
C. cartel; a sellers' market
D. monopolistic competition duopoly

2875. Antimonopoly legislation is undertaken to ____ competition and market regulation is undertaken to ____ competition ?
A. restrict; promote
B. restrict; restrict
C. promote; promote
D. promote; restrict

2876. The theory of the second best suggests that in the absence of perfect competition a privatized industry should charge a price of ?
A. p = Z
B. P = MC + Z

C. p = MC
D. P = MC – Z

2877. The scientific method requires that ?
A. **the scientist be objective**
B. The scientific use precision equipment.
C. only correct theories are tested
D. only theories are tested.
E. the scientist uses test tubes and have clean lab.

2878. Which of the following statements regarding the circular-flow diagram is true ?
A. If Susan works for BAe Systems and receives a salary payment, the transaction takes place in the market for good and services.
B. If BAe Systems sells a military aircraft, the transaction takes place in the market for factors for production
C. None of these
D. The factors of production are owned by households

2879. Economic models are ?
A. Usually made of wood and plastic
B. built with assumptions.
C. useless if they are simple.
D. created to duplicate reality.

2880. In which of the following cases is the assumption most reasonable ?
A. To address the impact to taxes on income distribution an economist assumes that everyone earns the same income.
B. To address the impact of money growth on inflation, an economist assumes that money is strictly coins.
C. To model the benefits of trade. an economist assumes that there are two people and two goods
D. To estimate the speed at which a beach ball falls, a physicist assumes that if falls in a vacuum.

2881. Which of the following is most likely to produce scientific evidence about a theory ?
A. A lawyer employed by Renault addressing the impact of air bags on passenger safety.
B. An economist permanently employed at a leading university analyzing the impact of bank regulations on lending to small businesses
C. An economist employed by the Trades union congress doing research on the impact of trade policy on workers' wages
D. A radio talk show host collecting data from listeners on how capital markets respond to taxation

2882. Which of the following is not a factor of production ?
A. labor
B. land
C. money
D. capital

2883. Points on the production possibilities frontier are ?
A. inefficient
B. normative
C. unattainable
D. efficient

2884. Economic growth is depicted by ?
A. **a shift in the production possibilities frontier outward.**
B. a movement from inside the curve toward the curve.
C. a shift in the production possibilities frontier inward
D. a movement along a production possibilities frontier toward capital goods.

2885. In making which of the following statements is an economist acting more like a scientist ?
A. **A reduction in unemployment benefits will reduce the unemployment benefits will reduce the unemployment rate.**
B. The rate of inflation should be reduced because it robs the elderly of their savings.
C. The unemployment rate should be reduced because unemployment robs individuals of their dignity.
D. The state should increase subsidies to universities because the future of our country depends on education.

2886. Suppose two economists are arguing about policies that deal with unemployment One economist says the government should fight unemployment because it is the greatest social evil The other economist response Nonsense Inflation is the greatest social evil These economists ?
A. really don't disagree at all It just appears that they disagree.
B. disagree because they have different values.
C. none of these answers.
D. disagree because they have different scientific judgments.

2887. Which of the following statements about microeconomics and macroeconomics is not true ?
A. **The study of very large industries is a topic within macroeconomics**
B. Macroeconomics is concerned with economy-wide phenomena

C. Microeconomics is a building block for macroeconomics
D. Microeconomics and macroeconomics cannot be entirely separated

2888. Which of the following will not shift a country’s production possibilities frontier outward ?
A. an advance in technology
B. an increase in the labor force
C. an increase in the capital stock
D. a reduction in unemployment

2889. Which of the following statements is normative ?
A. Large government deficits cause an economy to grow more slowly
B. People work harder if the wage is higher
C. The unemployment rate should be lower
D. Printing too much money causes inflation

2890. Positive statements are ?
A. Macroeconomic
B. Microeconomics
C. statements of description that can be tested
D. Statements of prescription that involve value judgments.

2891. Which of the following issues is related to microeconomics ?
A. **the impact of oil prices on car production**
B. The impact of money on inflation
C. The impact of technology on economics growth
D. The impact of the deficit on saving

2892. Suppose two economists are arguing about policies that deal with unemployment. One economist says. The government could lower unemployment by one percentage point if it would just increase government spending by 50 billion dollars the other economist responds Nonsense and poppycock! If the government spent an additional 50 billion dollars it would reduce unemployment by only one tenth of one percent. and that effect would only be temporary! These economists ?
A. None of these answers
B. Disagree because they have different scientific judgments
C. really don’t disagree at all. It just appears that they disagree
D. disagree because they have different values

2893. The traditional profit-maximizing theory of the firm has been criticized by some economists because ?
A. firms do not know how to maximize profits.
B. firms have other aims

C. it does not explain monopolistic competition
D. Both the first and second option

2894. Public limited companies may not maximize their profits because ?
A. they are afraid of encouraging takeovers.
B. shareholders have little control over managers.
C. shareholders want higher dividends.
D. both the first and third option.

2895. The divorce of ownership and control tends to occur in ?
A. sole proprietors
B. partnerships
C. public limited companies
D. monopolies

2896. A firm may be unable to maximize profits because it ?
A. does not know its MC and MR
B. has too much information
C. has too little information
D. The first and third option

2897. Williamson suggests that managers might NOT try to achieve ?
A. respect of other managers.
B. maximum profits.
C. job security
D. a large number of subordinates

2898. The divorce of owner ship and control causes a problem usually referred to by economists as ?
A. profit myopia
B. principal-agent problem.
C. merger mania.
D. moral hazard

2899. A sale maximizing firm will produce where ?
A. AR minus AC is maximized
B. MC = MR
C. quantity sold is maximized
D. sales revenue is maximized

2900. Growth maximization is the same as ?
A. sales revenue maximization
B. maximization the growth of sales revenue.
C. Sales maximization
D. long-run profit maximization.

2901. The merger of a clothing firm and a software producer would be a ________ merger?

A. horizontal
B. vertical
C. conglomerate
D. homogeneous

2902. Fear to take-overs will lead firms to maximize ?
A. growth.
B. sales revenue
C. managers utility
D. profits.

2903. Behavioral theories of the firm concentrate on the _______ interests of _______?
A. common; different parts of the firm
B. common; mangers
C. conflicting; managers
D. conflicting; different parts of the firm

2904. Galbraith's idea that firms are controlled by a technostructure supports _________ theories?
A. **Williamson's**
B. classical economic
C. Marxist
D. monetarist

2905. Firms that engage in satisficing behavior are likely to be ?
A. **Like other firms in their industry.**
B. growth maximisers.
C. leading firms in their industry
D. unlike other firms in their industry

2906. If firms satisfice this means that ?
A. managers need to be paid enough to stop them leaving the company
B. objectives such as profit are not maximized
C. short-run profits are maximized
D. long-run profits are maximized

2907. Sales maximization is likely to take place in markets that are ?
A. contestable
B. perfectly competitive
C. oligopolistic
D. export-oriented

2908. The merger of fiber producer and a clothing firm would be _____ merger?
A. horizontal
B. vertical

C. conglomerate
D. homogeneous

2909. The merger of two clothing firms would be a ____ merger?

A. **horizontal**
B. vertical
C. homogeneous
D. conglomerate

2910. Identify below those who are not stakeholders in a company ?

A. Owners
B. Customers
C. Employees
D. None of the above

2911. Which of the following is NOT a common reason for a merger?

A. **To increase competition**
B. To reduce uncertainty
C. To achieve faster growth
D. To achieve economies of scale

2912. When firm build in Organizational slack they do this in order to ?

A. cope with unforeseen changes
B. maximize growth.
C. minimize conflict within the firm
D. both options one and three

2913. __________ is the backbone of the Pakistan economy and the mainstay of our national economic life?

A. Industrial
B. Service
C. Agriculture
D. Trade

2914. What is the annual average growth rate of agriculture in last decade ?

A. 3.5%
B. 4.5%
C. 5.5%
D. 6.5%

2915. Agriculture contributes about _________ to the GDP?

A. **25%**
B. 55%
C. 15%
D. 35%

2916. **Out of the total land area of Pakistan the total land area of Punjab is 20.6 mha (about 50.90 million acres) out of which ____ are cultivated?**

A. **54 % or 11.04 mha**
B. 57 % or 12.00 mha
C. 58 % or 12.04 mha
D. 59 % or 13.04 mha

2917. **The total land area of Baluchistan is 34.7 mha (or 85.74 million acres), out of which only ____ are cultivated?**

A. **14 % or 3.4 mha**
B. 24 % or 5.4 mha
C. 34 % or 7.4 mha
D. 54 % or 11.4 mha

2918. **In the Mid of 2011 the share of agriculture in employment is ?**

A. **45%**
B. 40%
C. 43%
D. 41%

2919. **What is the annual average growth rate of agriculture in last decade ?**

A. 3.5%
B. 4.5%
C. 5.5%
D. 6.5%

2920. **How much of the total area is cultivated in Pakistan ?**

A. 35%
B. 45%
C. 55%
D. 25%

2921. **Total population of livestock in Pakistan is ?**

A. 120 million
B. 120.5 million
C. 130.5 million
D. 122.6 million

2922. **Which one is the main source of foreign exchange earning ?**

A. textile
B. foreign remittances
C. agriculture
D. manufacturing

2923. **Which one of the following is the largest sector of Pakistan's economy ?**

A. **Agriculture**
B. Banking
C. Industry
D. Manufacturing

2924. How much of the total area cultivated is under irrigation system ?
A. 65%
B. 70%
C. 80%
D. 85%

2925. Up till now how much of the water-logged and saline land has been reclaimed ?
A. 12 million acres
B. 18 million acres
C. 16 million acres
D. 14 million acres

2926. When the period of Kharif crop starts and when ends ?
A. **June September**
B. October-May
C. May-October
D. Jan-October

2927. The period of Rabi season is ?
A. **October-May**
B. May-Aug
C. October-June
D. January-May

2928. The crop most susceptible to frost it ?
A. Wheat
B. red gram
C. Cotton
D. black gram

2929. The link canal which irrigates the district of D.G khan and D.I khan starts from ?
A. **Chashma Barrage**
B. Jinnah Barrage
C. Sulmaki Headworks
D. Trimmu Headworks

2930. What is the total length of canals in Pakistan ?
A. **6429 Kilometer**
B. 3344 Kilometer
C. 6234 Kilometer
D. 6345 Kilometer

2931. When the Indus Water Treaty was signed ?
A. **19th September 1960**
B. 19th September 1962
C. 19th December 1965
D. 19th November 1964

2932. Higher summer temperature, stiff soil capable of supporting heavy weight of plant is essential for ?
A. Rubber
B. Jute
C. Rice
D. None of these

2933. The period of Rabi Season is _____ ?
A. **October-May**
B. May-Aug
C. October-June
D. All of them

2934. Which is the longest canal of Pakistan ?
A. **Lloyd Canal**
B. Fordwah Canal
C. Abbasie Canal
D. Nara Canal

2935. Jamrao Canal is located in the province of ?
A. Punjab
B. Baluchistan
C. Sindh
D. Kpk

2936. Which is the oldest hydroelectricity project in Pakistan ?
A. Mangla
B. Tarbela
C. Warsak
D. Malakand Dargai

2937. Which one is the dominant source of foreign exchange earning ?
A. Textile
B. Foreign remittance
C. Agriculture
D. Manufacturing

2938. When the period of Kharif crop starts and when ends ?
A. **June-September**
B. October-May
C. May-October
D. Jan-October

2939. The total forest area of Pakistan is estimated at ?
A. 5.20 million hectares
B. 53.20 million hectares
C. 6.20 million hectares
D. 4.20 million hectares

2940. What kind of soil is treated with gypsum to make it suitable for cropping ?
A. **Alkaline**
B. Acidic
C. Waterlogged
D. None of these

2941. About _____ of land is cultivated through irrigation water?
A. **75%**
B. 55%
C. 15%
D. 35%

2942. Food crops cover about ___ of cropped areas?
A. **75%**
B. 55%
C. 15%
D. 35

2943. Which Province of Pakistan is the largest wheat producing province ?
A. **Punjab**
B. Sindh
C. K.P.K
D. Baluchistan

2944. Which province of Pakistan is the largest cotton producing province ?
A. **Punjab**
B. Sindh
C. K.P.K
D. Baluchistan

2945. Which province of Pakistan is the largest sugarcane producing province ?
A. **Punjab**
B. Sindh
C. K.P.K
D. Baluchistan

2946. Which province of Pakistan is the largest Jowar producing province ?

A. **Punjab**
B. Sindh
C. K.P.K
D. Baluchistan

2947. Which province of Pakistan is the largest Edible oils producing province ?

A. **Punjab**
B. Baluchistan
C. Sindh
D. KPK

2948. Pakistan is the ____largest milk producer country in the world?

A. **Fifth**
B. Fourth
C. Sixth
Eight

2949. Pakistan is the _____largest Chickpea Producer country in the world ?

A. Fifth
B. Second
C. Sixth
D. Eight

2950. Pakistan is the _____largest Onion Producer country in the world ?

A. **Fifth**
B. Fourth
C. Sixth
D. Eight

2951. Pakistan is the _____largest Producer country in the world?

A. Fifth
B. Fourth
C. Seventh
D. Sixth

2952. Pakistan is the _____largest Wheat Producer country in the world ?

A. Fifth
B. Seventh
C. Sixth
D. Eight

2953. Pakistan is the _____largest Oranges Producer country in the world ?

A. Fourth
B. Fifth

C. Sixth
D. Eight

2954. Irrigation was developed in the Indus Valley Civilization by around ______?
A. **4500 BCE**
B. 4100 BCE
C. 4200 BCE
D. 4000 BCE

2955. Which are Pakistan major seasons for agriculture crop ?
A. Kharif & Barani
B. Kharif & rabi
C. barani & rabi
D. Kharif , Rabi

2956. Pakistan is the _____largest tobacco Producer country in the world?
A. Sixth
B. Seventh
C. Fifth
D. Eight

2957. Pakistan's largest food crop is ?
A. Rice
B. Wheat
C. Cotton
D. Sugarcane

2958. When the period of Kharif crop starts and when ends ?
A. **April-June, Oct-Sept**
B. April-July, Oct-Nov
C. April-May, Oct-Dec
D. Jan-May, Oct-Sept

2959. Kharif crops include ?
A. rice & sugarcane
B. cotton & maze
C. bajra & jawar
D. All of them

2960. What is the period of Rabi season ?
A. **Oct-Dec to April-May**
B. May-June to July-Aug
C. Oct-Nov to April-June
D. January-Mar to April-June

2961. Which crops are sown in Rabi season ?
A. Tobacco, rape seed
B. wheat, gram

C. barely & mustard
D. All of them

2962. Minor crops in Rabi season are pulses, potatoes and ?
A. Onions
B. bajra
C. garlic
D. All these

2963. At what rate (average) agriculture grew over the last decade ?
A. **3.3%**
B. 6%
C. 8%
D. 5.4%

2964. What growth rate was witnessed in agriculture sector last fiscal year ?
A. **1.4%**
B. 2%
C. 1.9%
D. 2.9%

2965. Which one is the single largest component of agriculture sector in the country ?
A. forestry
B. livestock
C. poultry
D. fisheries

2966. Cotton accounts for 11.5 percent of value added in agriculture. How much it accounts in GDP ?
A. 20%
B. 4%
C. 3.5%
D. 2.7%

2967. Lint cotton is a major?
A. cash item
B. import item
C. export item
D. None of these

2968. Rice is very important food as well as ?
A. export crop
B. cash crop
C. raw material
D. import item

2969. In 2010-11 the yield of rice in Pakistan was ?

A. **1836 kgs/hec**
B. 2030 kgs/hec
C. 2035 kgs/hec
D. 2040 kgs/hec

2970. Rice account for 6.6 percent in value added in agriculture. What is its contribution in GDP ?
A. 19%
B. 1.6%
C. 22%
D. 6.1%

2971. Which is the second largest staple food crop in Pakistan ?
A. Wheat
B. flour
C. Wheat & flour
D. rice

2972. The share of sugarcane crop in value added in agriculture is 6.3 percent What is the share in GDP ?
A. 5.1%
B. 1.5%
C. 6%
D. 4%

2973. In Pakistan what is the yield of sugarcane ?
A. **48042 kg/hec**
B. 54378 kg/hec
C. 45000 kg/hec
D. 74538 kg/hec

2974. Forests and rangelands support 30 million herds of livestock. How much amount this livestock contributes to Pakistan's annual export earnings ?
A. $500 million
B. $350 million
C. $400 million
D. $300 million

2975. During the year 1999-2000 how much timber was contributed by the forest sector ?
A. 243 thousand cubic meters
B. 343 thousand cubic meters
C. 425 thousand cubic meters
D. 543 thousand cubic meters

2976. One-third of the forest area is productive, and the remaining two-third is maintained for ?

A. Timber
B. Environmental protection
C. Wild life
D. sanctuaries

2977. The main export items of the country are crop cotton and?
A. Sugar
B. cotton vast products
C. sugar products
D. wheat

2978. Which is the main staple food of the population and largest grain crop of the country ?
A. rice
B. pulses
C. wheat
D. None of these

2979. What was the yield of wheat in 2010-11 ?
A. 2237 kgs/hec
B. 2314 kgs/hec
C. 2217 kgs/hec
D. 2247 kgs/hec

2980. What is the contribution of forest sector in GDP ?
A. **0.1%**
B. 3.1
C. 1.1
D. 2.1

2981. Kinds of forest in Pakistan are coniferous forest, irrigated plantation riverain forests and ?
A. Mangrove forest
B. Scrub forests
C. private plantations
D. All of these

2982. The total forest area of Punjab is ?
A. **1.69 million hectares**
B. 0.89 million hectares
C. 0.96 million hectares
D. 0.989 million hectares

2983. What is the total estimated forest area of Sindh ?
A. **0.92 million hectares**
B. 2.92 million hectares
C. 1.92 million hectares
D. 0.92 million hectares

2984. **What is total forest area of Azad Kashmir ?**
A. 0.53 million hectares
B. 1.32million hectare
C. 0.42 million hectares
D. 0.55 million hectares

2985. **How much wood the forest sector provides ?**
A. 4.5 million hectares
B. 3.5 million hectares
C. 5.5 million hectares
D. 2.5 million hectares

2986. **Livestock sector accounts for nearly 36 percent of agriculture value added and about 9.0 percent of the ?**
A. **GDP**
B. GNP
C. export earnings
D. budget

2987. **The total forest area of Pakistan is estimated at ?**
A. 5.20 million hectares
B. 3.20 million hectares
C. 6.20 million hectares
D. 4.20 million hectares

2988. **The domestic requirement of oil seed has almost doubled during the last?**
A. 6/7 years
B. 9/10 years
C. 7/8 years
D. 3/4 years

2989. **The annual requirement of edible oil is nearly ?**
A. 1.5 million tones
B. 1.6 million tones
C. 1.7 million tones
D. 1.9 million tones

2990. **Pakistan spends annually US$ $ 788 million on the import of ?**
A. sugar
B. vegetable oil
C. tea
D. edible oil

2991. **How much irrigation water shortage was witnessed last year ?**
A. 23.8%
B. 10.8%

C. 35.8%
D. 30.8%

2992. Nimbokil-60EC is formulated for the control of ?
A. pest
B. agricultural insect pest
C. household pests
D. herbs

2993. Use of Borom and Zink can improve ?
A. rice yield
B. sugar yield
C. cotton yield
D. sunflower yield

2994. Arid Zone Research Centre, of PARC is situated at ?
A. **Quetta**
B. Lahore
C. Islamabad
D. Faisalabad

2995. National Arid-land Development and Research Institute (NADRI) is at ?
A. **Islamabad**
B. Lahore
C. Faisalabad
D. Peshawar

2996. Which one of the following is the main cash crop of Pakistan ?
A. **cotton**
B. rice
C. wheat
D. None of them

2997. What yield of cotton crop is recorded in Pakistan ?
A. 645 kgs/hec
B. 570 kgs/hec
C. 641 kgs/hec
D. 621 kgs/hec

2998. The production of wheat in 2001-2 dropped by 2.9 percent. What was the size of wheat crop this year ?
A. **18475 thousand tones**
B. 13475 thousand tones
C. 19475 thousand tones
D. 16475 thousand tones

2999. What is the share of forest area as percent of the total geographical area of the country ?

A. 3.8
B. 2.8
C. 4.8
D. 4.5

3000. **What is the contribution of forestry to the agriculture sector ?**

A. **0.4%**
B. 3.4
C. 1.4
D. 2.4