

## Examrace

### Competitive Exams: Economics MCQs (Practice\_Test 27 of 122)

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1. During a recession, consumers typically react to falling incomes by
  - a. increasing the fraction of consumption devoted to durable goods.
  - b. replacing worn-out durables quickly before incomes fall further
  - c. reducing the fraction of consumption devoted to durable goods.
  - d. reducing purchases of non-durables and services more quickly than purchases of durables
  
2. Match List I with List II and select the correct answer using the codes given below the list:

List-I	List-II
A. Gossen's law	1. Demand and supply
B. Gresham's law	2. Circulation of money
C. Say's law	3. Public expenditure
D. Wagner's law	4. Marginal utility

**A B C D**

- a. 4 2 3 1
  
  - b. 2 4 1 3
  
  - c. 2 4 3 1
  
  - d. 4 2 1 3
3. The Physical quality of life index (PQLI) is based on
    - a. percentage of literacy, infant mortality and life expectancy
    - b. adequate supply of food, water, shelter and health services

- c. provision for sanitation, education and welfare measures
- d. all that is mentioned in a, b and c
4. The correct sequence of the increasing order (lowest first, highest last) of the per capital GNP of the given countries is
- a. Sri Lanka, China, Ethiopia, India
- b. India, Sri Lanka, Ethiopia, China
- c. Ethiopia, India, Sri Lank, China
- d. Ethiopia, Sri Lanka, China, India
5. In the dual economy as viewed by Lewis, the capitalist sector absorbs the surplus labour provided the.
- a. capitalist surplus is generated
- b. capitalist surplus is generated and reinvested.
- c. subsistence sector has an elastic labour supply the capitalist surplus is generated and reinvested
- d. the subsistence sector has an inelastic labour supply.
6. The basic principle emphasized by Harrod and Domand incorporated in all modern growth theories is the
- a. dual effect of net investment
- b. capacity effect of net investment
- c. saving effect of net investment
- d. crowding-out effect of net investment
7. Given the rate of growth  $g = 5\%$  and marginal saving propensity  $s = 0.5$ , the value of capital-out ratio consistent with Harrod's model would be
- a. 100
- b. 0.1
- c. 0.11
- d. 10
8. Which of the following pairs is/are correctly matched?
- a. Club of Rome 褻Limits to growth
- b. World Trade 褻Multilateralism
- c. European common 褻Snake in tunnel

Market.

Select the correct answer using the codes given below:

Codes:

- a. 1 alone
- b. 1,2 and 3
- c. 2 and 3
- d. 1 and 3

9. Consider the following statements: The effect of devaluation is that is

- a. changes the relative price
- b. increases the foreign value of domestic currency
- c. improve the competitiveness of the domestic exports in foreign markets
- d. improves the trade balance, provided that domestic demand for imports is highly inelastic

Of these statements

- a. 1,2 and 4 are correct
- b. 2,3 and 4 are correct
- c. 2 and 3 are correct
- d. 1 and 3 are correct

10. Match List I with List II and select the correct answer using the codes given below the list:

List-I	List-II
A. Law of Absolute Advantage	1. Leontief
B. Factor Proportion and Trade	2. Marshal
C. Offer curves	3. Adam Smith
D. Opportunity Costs	4. Haberler

**A B C D**

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a. 1 3 2 4

b. 3 1 2 4

c. 1 3 4 2

d. 3 1 4 2

11. In the Ricardian example of international trade between England and Portugal, trade will continue to exist in respect of cloth and wine and will be beneficial to both the partners provided that
- the domestic exchange ratios of both the countries are lower than the international exchange ratio
  - the domestic exchange ratio of Portugal is higher than the international exchange ratio
  - the domestic exchange ratio of England is lower than the international exchange ratio
  - the domestic exchange ratios of the two countries are within the limits of the international exchange ratio
12. Favourable development in the terms of trade takes place when a country gets a
- lower price for exports with the same price for imports
  - higher price for imports with the same price for exports
  - larger volume of imports for the same volume of exports with balanced trade.
  - larger volume of exports for the same volume of imports with balanced trade
13. Barter terms of trade over a period of time refers to changes in a country's
- imports with changes in its exports
  - import prices with change in its export prices
  - exports divided by imports
  - import prices divided by volume of trade.
14. Consider the following statements: Some of the underdeveloped countries were apprehensive of the original Dunkel proposals as they feared that
- environmental concerns would be used as a pretext for trade protection
  - public procurement and distribution systems would not be allowed to function.

c. differences in labour standards would be used as pretext for trade protection

Of these statements

a. 1,2 and 3 are correct

b. 1 and 2 are correct

c. 2 and 3 are correct

d. 1 and 3 are correct

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