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Competitive Exams: Economics MCQs (Practice_Test 71 of 122)

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1. Consider the following statements:

- a. Market economy is an economy characterized by freely determined prices and the free exchange of goods and services in market.
- b. Centrally planned economy is a economy in which big monopoly firms determine prices and production
- c. Normative economics is about economic analysis that explains what happens in the economy and why, and positive economics is about economic analysis that makes recommendations about economic policy.

Which of the statements given above is/are correct?

- a. 1 and 2
- b. 2 and 3
- c. 1 only
- d. 1 and 3

2. Which of the following statements is not correct?

- a. The production possibility curve under increasing costs is concave to the origin.
- b. Under increasing costs, there would be complete specialization of a country in a single commodity.
- c. Under increasing costs, the production possibility curve is not identical with price curve, as in the case of constant costs.
- d. A straight line production possibility curve indicates constant opportunity cost.

3. IT exports are included in which of the following categories?

- a. Merchandise exports
- b. Invisibles

- c. Current account
- d. transfer payments

Select the correct answer using the codes given below?

- a. 1,2 and 3
 - b. 2 and 3
 - c. 3 and 4
 - d. 1,2 and 4
4. Who has given the well-known ‘Diamond-Water’ paradox?
- a. Adam Smith
 - b. JM Keynes
 - c. Alfred Marshall
 - d. FY Edgeworth

5. Match List with List II and select the correct answer using the codes given below:

List-I	List-II
A. State Government	
B. Levied by the Union but collected and appropriate by the states	1. N/A
C. Levied and collected by the Unions but are assigned to the states within which they are used	2. N/A
	3. N/A
D. Levied and collected by the Union but are distributed between the Union and the States in a prescribed manner	4. N/A

A B C D

- a. 1 3 2 4
- b. 2 4 1 3
- c. 1 4 2 3
- d. 2 3 1 4

6. Unbalanced growth hypothesis is formulated on the assumption

- a. that expansion takes place simultaneously on several fronts

- b. That supplies of capital and labour are limited
- c. of unlimited supplies of labour and capital
- d. of limited supply of labour but unlimited supply of capital

7. Match List I (concept and Feature) with List II (Related Concept/Condition) and select the correct answer using the codes given below:

List-I	List-II
A. Straight line isoquants	1. Diminishing marginal rate of substitution.
B. Right angled isoquants	2. Increasing marginal rate of substitution
C. Isoquants convex to the origin	3. Factors are perfect substitutes
D. Isoquants concave to the origin	4. Factors are perfect

A B C D

- a. 2 4 1 3
- b. 3 1 4 2
- c. 2 1 4 3
- d. 3 4 1 2

8. The aggregate of transaction demand and precautionary demand for money is generally considered as

- a. The total demand for money
- b. Active cash balances
- c. Idle cash balances
- d. Asset demand for money

9. Let $c = \text{MPC}$, and $t = \text{rate of tax on income}$. Then the expression of investment multiplier is

- a. $\frac{1}{1-c}$
- b. $\frac{1}{1-c(c+t)}$
- c. $\frac{1}{1+c(1-t)}$

- d. $1 - c(1 - t)$
10. The two-gap theory as applied to development planning refers to
- inflationary gap and foreign exchange constraint
 - Savings gap and income constraint.
 - foreign exchange gap and recessionary gap
 - Savings constraint and foreign exchange constraint
11. Since all the means of production are scarce and alternatively useable, opportunity cost of production of a unit of a commodity, say X, equal the
- Output sacrificed in any other alternative uses of the resources in the production of a unit X
 - Output sacrificed in the least productive use of all alternative uses of these resources
 - Average output of all other alternative productive uses of the resources uses in the production of a unit of X
 - Output sacrificed in the next best use of the resources used in the production of a unit of X
12. Which one of the following is not an assumption of Heckscher-Ohlin theorem of international trade?
- differences in factor endowments of two countries
 - products in the two countries are differentiated
 - Production functions are identical
 - Commodity prices determine factor prices
13. The ability of a commercial bank to increase its loans and investment depends on its
- holding of government securities
 - cash position
 - excess cash reserves
 - outstanding loans and investments
14. Match List I (Economists) with List II (Views) and select the correct answer using the codes given below:

List-I	List-II
A. J. M. Keynes	1. Wage rate cut is the solution to unemployment

B. J B Say	2. Unemployment
C. A. C. Pigou	3. Public expenditure is the cure for depression
D. I. Fisher	4. Supply creates its own demand

A B C D

a. 3 4 1 2

b. 1 2 3 4

c. 3 2 1 4

d. 1 4 3 2

15. Consider the following statements about Co-operative Collective Farming societies:

- a. Individual ownership of land disappears
- b. In addition to land, all other resources of the members are also pooled together.
- c. The system is akin to 'Kolkhoz' system in the former Soviet Union and other communist countries.
- d. The farm income is divided among the members only according to the work done by each of them.

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