

CHAPTER-1 | Introduction

QUIZ
PART-02

1. In a centrally planned economy, who makes key decisions about production and distribution?
- Private firms
 - Individual households
 - The central government
 - International organizations (C)

Explanation : In centrally planned economies, the government decides production, allocation, and distribution of goods and services.

2. Which of the following is the main feature of a market economy?
- Government control of all resources
 - Exchange determined by demand and supply through prices
 - Equal distribution of income by the state
 - Absence of competition (B)

Explanation : In market economies, prices determined by demand and supply coordinate economic activities.

3. The role of price signals in a free market is to
- Reduce consumer choices
 - Coordinate production and consumption
 - Eliminate competition
 - Ensure government control (B)

Explanation : Prices act as signals, guiding producers and consumers in coordinating economic activities.

4. Which country is an example of a centrally planned economy?
- India
 - China
 - USA
 - Japan (B)

Explanation : China is often cited as an example of a centrally planned economy.

5. Which country is an example of a market economy?
- India
 - USA
 - China
 - Cuba (B)

Explanation : The United States is a classic example of a free market economy.

6. A mixed economy is characterized by
- Only private ownership of production
 - Only public ownership of production
 - Coexistence of both public and private ownership
 - Absence of government intervention (C)

Explanation : Mixed economies combine features of both public and private ownership with government intervention.

7. Positive economics is concerned with
- What should be done in an economy
 - Value judgments about good or bad policies
 - Explaining economic issues based on facts and data
 - Suggesting ideal economic goals (D)

Explanation : Positive economics deals with facts that can be tested and verified by actual data.

8. Normative economics is best described as
- Neutral analysis of economic activities
 - Suggestive analysis involving value judgments
 - Concerned only with demand and supply
 - Free from personal opinions (B)

Explanation : Normative economics involves value judgments about what should be done.

9. Microeconomics focuses on
- National income and employment
 - International trade and finance
 - Behaviour of individual units like households and firms
 - Aggregate supply and demand (C)

Explanation : Microeconomics studies individual decision-making units in the economy.

10. Macroeconomics primarily studies
- Individual prices and markets
 - Household income
 - Aggregate variables like national income and employment
 - Specific firm output (C)

Explanation : Macroeconomics deals with aggregates such as national income, employment, and overall economic activity.