

Section A: Multiple Choice Questions

(2015:15)

1.

What would be the **most** likely effect on the Australian economy of a reduction in iron ore prices?

- (a) increase in aggregate demand
- (b) decrease in aggregate demand
- (c) increase in aggregate supply
- (d) decrease in aggregate supply

(2015:16)

2.

The slope of the aggregate demand curve is a result of

- (a) income and substitution effects.
- (b) substitution and open economy effects.
- (c) price and interest rate effects.
- (d) income and interest rate effects.

(2015:18)

3.

Which of the following factors will result in a shift of the aggregate supply curve to the right?

- (a) an increase in oil prices
- (b) an increase in disposable income
- (c) an increase in foreign investment
- (d) an increase in current expenditure by the Commonwealth Government

(2016:16)

4.

Which of the following would shift the aggregate demand curve outward?

- (a) an increase in taxation
- (b) a rise in the price level
- (c) an increase in the interest rate level
- (d) an increase in net exports

5.

(2016:17)

An improvement in technology will shift the

- (a) short-run and the long-run aggregate supply curves leftward.
- (b) short-run and the long-run aggregate supply curves rightward.
- (c) short-run aggregate supply curve rightward, but the long-run aggregate supply curve will remain unchanged.
- (d) long-run aggregate supply curve rightward, but the short-run aggregate supply curve will remain unchanged.

6.

(2017:18)

Which of the following statements explains the slope of the aggregate demand curve?

- (a) Increases in the general price level will cause a reduction in spending in the economy.
- (b) Increases in spending reduce output, forcing the general level of prices to rise.
- (c) Decreases in the general price level will cause a reduction in spending in the economy.
- (d) Increases in the general price level will cause interest rates to fall, encouraging greater spending.

7.

(2018:19)

All other things being equal, which of the following events would cause an economy's aggregate supply curve to shift to the left?

- (a) an increase in wage rates
- (b) an increase in imports
- (c) an increase in exports
- (d) an increase in labour productivity

8.

(2018:20)

Which of the following is likely to occur if aggregate demand grows at a faster rate than aggregate supply in an economy close to full capacity?

- (a) There will be no change in the output or price levels.
- (b) The output level and the price level will both increase at the same rate.
- (c) The price level will rise at a quicker rate than the output level.
- (d) The output level will rise at a quicker rate than the price level.

ANSWERS: 18, 20, 30, 47, 58, 64, 74, 82