

Question 1:

'Suppose that an expansionary fiscal policy leads to a large increase in real output and a small increase in the price level. From this it can be inferred that', A. 'inflation had already impacted the economy before the fiscal stimulus.', B. 'the economy initially had some unemployed resources.', C. 'aggregate supply decreased.', D. 'aggregate demand is steeply sloped.'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 2:

'Which of the following is included in U.S. GDP? I. The market value of movies made in Africa by U.S. citizens II. The market value of olive oil made in Italy and sold in the United States. III. The market value of blue jeans made in the United States and sold in Japan IV. The market value of wine made in the United States by Canadian citizens', A. 'II III and IV only', B. 'I and III only', C. 'II and IV only', D. 'III and IV only'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 3:

'When both short-run aggregate supply and aggregate demand increase which of the following can be said for certain?'; A. 'The price level rises but real GDP falls.', B. 'Both the price level and real GDP rise.', C. 'The price level rises but the change in real GDP is uncertain.', D. 'Real GDP rises but the change in the price level is uncertain.'

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Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

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Answer Option 4:

Final Answer: B

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Answer Option 5:

Final Answer: B

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Answer Option 6:

Final Answer: B

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Answer Option 7:

Final Answer: B

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Answer Option 8:

Final Answer: B

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Answer Option 9:

Final Answer: B

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Question 4:

'Tariffs and quotas', A. 'result in lower domestic prices.', B. 'sometimes raise and sometimes lower the amount of the product sold domestically.', C. 'lower the amount of the product sold domestically.', D. 'raise the amount of the product sold domestically.'

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Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: C

Question 5:

'A likely cause of falling Treasury bond prices might be', A. 'expansionary monetary policy.', B. 'contractionary monetary policy.', C. 'a depreciating dollar.', D. 'fiscal policy designed to reduce the budget deficit.'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: B

Question 6:

'Households demand more money as an asset when', A. 'nominal GDP falls.', B. 'the nominal interest rate falls.', C. 'bond prices fall.', D. 'the supply of money falls.'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 7:

'Allocative efficiency', A. 'means that no inferior products will be produced.', B. 'implies that the economy's output is distributed evenly.', C. 'means that those who work hardest will get more.', D. 'implies that resources are used to produce the goods and services society desires in just the right amounts.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 8:

'GDP measures', A. 'production within a nation's borders.', B. 'production by a nation's citizens wherever they may be.', C. 'income earned by the factors of production plus depreciation and indirect business taxes.', D. '(A) and (C)'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 9:

'Every choice results in a foregone best alternative which economists call the', A. 'accounting cost', B. 'switching cost', C. 'inferior cost', D. 'opportunity cost'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 10:

'When a nation is operating at the natural rate of unemployment', A. 'there is no cyclical unemployment.', B. 'the inflation rate is zero.', C. 'there is no structural unemployment.', D. 'the nation is experiencing a recession.'

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Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 11:

'If a country has a negative value on its current account then it must', A. 'pay that amount to its trading partners.', B. 'have a positive value of equal magnitude on its capital account.', C. 'depreciate its currency.', D. 'appreciate its currency.'

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Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 12:

'Which of the following transactions would be counted in GDP?', A. 'The cash you receive from babysitting your neighbor's kids', B. 'The sale of illegal drugs', C. 'The sale of cucumbers to a pickle manufacturer', D. 'The sale of a pound of tomatoes at a supermarket'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 13:

'If your nominal income rises 4 percent and your real income falls 1 percent by how much did the price level change?', A. '5 percent decrease', B. '¼ percent increase', C. '3 percent increase', D. '5 percent increase'

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Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: C

Question 14:

'Economy X is an open economy with flexible exchange rates. Economy Y is closed. Ceteris paribus expansionary monetary policy is', A. 'more effective in X because the policy will increase net exports.', B. 'more effective in X because the policy will decrease net exports.', C. 'equally effective in X and Y.', D. 'less effective in X because the policy will decrease net exports.'

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Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: D

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Answer Option 4:

Final Answer: B

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Answer Option 5:

Final Answer: B

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Answer Option 6:

Final Answer: A

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Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: D

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Answer Option 9:

Final Answer: A

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Question 15:

'Equilibrium real GDP is far below full employment and the government lowers household taxes. Which is the likely result?', A. 'Unemployment falls with little inflation.', B. 'Unemployment rises with little inflation.', C. 'Unemployment falls with rampant inflation.', D. 'Unemployment rises with rampant inflation.'

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Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 16:

'If \$1000 is deposited into a checking account and excess reserves increase by \$700 the reserve ratio must be:', A. '70%.', B. '30%.', C. '40%.', D. '90%.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 17:

'Automatic or built-in stabilizers', A. 'prevent inflation.', B. 'prevent recessions from occurring.', C. 'prevent inflation and recessions from occurring.', D. 'are government policies already in place that promote deficit spending during recessions and surplus budgets during expansions.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 18:

'Suppose consumers expect the price of corn to be lower in the near future while the price of seed corn and fertilizer fall. What will happen to the equilibrium price and the equilibrium quantity?', A. 'The equilibrium price will rise while the equilibrium quantity is indeterminate.', B. 'The equilibrium price will fall while the equilibrium quantity is indeterminate.', C. 'The equilibrium price is indeterminate while the equilibrium quantity will rise.', D. 'The equilibrium price is indeterminate while the equilibrium quantity will fall.'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 19:

'An increase in the demand for money in the economy could result from', A. 'a recession.', B. 'a higher price level.', C. 'higher interest rates.', D. 'expected future inflation.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 20:

'An increase in the consumer price index is commonly referred to as', A. 'economic growth.', B. 'inflation.', C. 'unemployment.', D. 'discouraged workers.'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 21:

'GDP measures I. production II. income earned during the production process III. spending by consumers businesses governments and foreigners', A. 'Only I is correct.', B. 'Only II is correct.', C. 'Only III is correct.', D. 'I II and III are correct.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 22:

The economy is currently operating at full employment. Assuming flexible wages and prices how would a decline in aggregate demand affect GDP and the price level in the short run and GDP and the price level in the long run? SHORT-RUN GDP SHORT-RUN PRICE LEVEL LONG-RUN GDP LONG-RUN PRICE LEVEL', A. 'Falls Falls No change Falls', B. 'Falls Falls Falls Falls', C. 'No change Falls No change No change', D. 'Falls Falls No change No change'

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Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: D

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Answer Option 9:

Final Answer: B

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Question 23:

'If the economy is operating at full employment which of the following policies will create the most inflation in the short run?', A. 'An increase in government spending matched by an equal increase in taxes', B. 'An increase in government spending with no change in taxes', C. 'A decrease in government spending and a matching increase in taxes', D. 'A decrease in taxes with no change in government spending'

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Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

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Answer Option 9:

Final Answer: B

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Question 24:

'The real interest rate is', A. 'what one sees when looking at bank literature', B. 'the nominal interest rate divided by the inflation rate', C. 'the nominal interest rate plus the anticipated inflation rate', D. 'the nominal interest rate minus anticipated inflation'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 25:

'Which of the following would be an example of fiat money?', A. 'Cigarettes used as money in prisons', B. 'Dollar bills', C. 'Gold coins', D. 'Arrowheads used as a medium of exchange'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 26:

'Which of the following fiscal policies is likely to be most effective when the economy is experiencing an inflationary gap?', A. 'The government decreases taxes and keeps spending unchanged.', B. 'The government increases spending and keeps taxes unchanged.', C. 'The government increases spending matched with an increase in taxes.', D. 'The government increases taxes and decreases spending.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 27:

'Among those hurt by inflation are I. borrowers at fixed interest rates II. individuals on fixed incomes III. those with savings earning fixed interest rates IV. restaurant owners', A. 'I and II only', B. 'II and III only',

C. 'II and IV only', D. 'II III and IV only'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 28:

'Required reserves', A. 'can be used by banks to make loans or buy investments.', B. 'can be held in a bank's vault or its account at the FED.', C. 'must be kept in a bank's vault.', D. 'must be used to make loans.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 29:

'Potential GDP will fall ceteris paribus if', A. 'the unemployment rate rises.', B. 'the retirement age is lowered.', C. 'tariffs protecting domestic jobs are eliminated.', D. 'more immigration is allowed.'

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Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 30:

'Contractionary monetary policy implies which of the following about the discount rate the nominal interest rate and aggregate demand? Discount rate Nominal interest rate Aggregate demand', A.

'Decreases Increases Decreases', B. 'Increases Increases Decreases', C. 'Decreases Decreases Decreases', D. 'Increases Increases Increases'

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Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 31:

'Which of the following is a fundamental economic question?', A. 'Who will get how much of each good and service?', B. 'Who should pay taxes?', C. 'Who will work?', D. 'Who will make the economic decisions?'

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Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 32:

'Fisher's Hypothesis states that', A. 'the real interest equals the nominal interest rate plus the inflation rate.', B. 'the nominal interest rate equals the real interest rate minus the inflation rate.', C. 'the nominal interest rate equals the unemployment rate plus the real interest rate.', D. 'the nominal interest rate equals the real interest rate plus the inflation rate.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 33:

'The best example of a negative supply shock to the economy would be', A. 'a decrease in government spending.', B. 'a decrease in the real interest rate.', C. 'an increase in the money supply.', D. 'unexpectedly higher resource prices.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 34:

'According to Say's law', A. 'when price goes up supply goes up', B. 'it is better to give than receive', C. 'demand creates its own supply', D. 'supply creates its own demand'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 35:

'What will happen to the equilibrium price level and the equilibrium quantity of output if the aggregate supply curve shifts to the left? Assume an upward sloping aggregate supply curve.', A. 'The equilibrium price level increases while the equilibrium quantity of output decreases.', B. 'The equilibrium price level decreases while the equilibrium quantity of output increases.', C. 'The equilibrium price level and quantity of output increase.', D. 'The equilibrium price level and quantity of output decrease.'

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Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

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Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

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Question 36:

'The Federal Open Market Committee', A. 'advises the President of the United States.', B. 'is part of the Federal Reserve System.', C. 'has seven members.', D. 'promotes free trade.'

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Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

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Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

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Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

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Question 37:

'An increase in the price of forklifts imported into the United States from Belgium will', A. 'increase the consumer price index and the GDP deflator.', B. 'increase the consumer price index but not the GDP deflator.', C. 'increase the GDP deflator but not the consumer price index.', D. 'have no effect on the consumer price index or the GDP deflator.'

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Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: D

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Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: C

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Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: D

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Question 38:

Theo loses his job at the public swimming pool when the pool closes for the winter. This is an example of, A. 'cyclical unemployment.', B. 'discouraged worker.', C. 'seasonal unemployment.', D. 'frictional unemployment.'

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Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 39:

'Keynes', A. 'advanced Classical economic theory by making several refinements.', B. 'showed how Say's Law operated in capitalist economies.', C. 'was a great American economist.', D. 'explained the cause of and cure for the Great Depression.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 40:

'Assume commercial banks save no excess reserves and the reserve requirement is 20 percent. How much money is created in new loans from all banks after this bank receives a deposit of \$1000?', A. '\$800', B. '\$1,000', C. '\$4,000', D. '\$5,000'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 41:

'Which of the following policies is most likely to bring about economic growth in the long run?', A. 'Imposing tariffs to protect domestic industries from foreign competition.', B. 'Placing taxes on savings.', C. 'Increasing government spending.', D. 'Promoting improvements in the education of the population.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 42:

'When a country has a balance of trade deficit', A. 'it must make up the difference by shipping gold to its creditors.', B. 'its exports exceed its imports.', C. 'its currency will appreciate.', D. 'its imports exceed its exports.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 43:

'National income measures', A. 'household income in the nation.', B. 'income earned by the factors of production.', C. 'GDP minus depreciation and indirect business taxes.', D. '(B) (C) and (D).'

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Answer Option 1:

Final Answer: D

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Answer Option 2:

Final Answer: D

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Answer Option 3:

Final Answer: D

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Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

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Answer Option 7:

Final Answer: D

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Answer Option 8:

Final Answer: D

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Answer Option 9:

Final Answer: D

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Question 44:

'Assume the reserve requirement is 10 percent. If the FED sells \$29 million worth of government securities in an open market operation then the money supply can', A. 'increase by \$2.9 million.', B. 'decrease by \$2.9 million.', C. 'increase by \$290 million.', D. 'decrease by \$290 million.'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: D

Question 45:

'The "crowding-out" effect refers to which of the following?', A. 'Lower interest rates that result from borrowing to conduct expansionary monetary policy', B. 'Higher interest rates that result from borrowing to conduct contractionary fiscal policy', C. 'Higher interest rates that result from borrowing to conduct expansionary fiscal policy', D. 'Higher interest rates due to borrowing to conduct contractionary monetary policy'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 46:

'Suppose transfer payments are greater than Social Security contributions corporate taxes and retained earnings combined. In that case', A. 'NDP will be greater than GDP.', B. 'NI will be greater than GDP.',

C. 'PI will be greater than NI.', D. 'DPI will be greater than PI.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 47:

The FED's Board of Governors has members each serving -year terms.', A. '14 7', B. 7 14', C. '8 8', D. '50 2'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: C

Question 48:

'Which of the following would lead to a decrease in the money supply?', A. 'The FED lowers the discount rate.', B. 'The FED sells government securities in the secondary market.', C. 'The federal government spends less money.', D. 'The FED lowers reserve requirements.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 49:

'Which of the following insures the value of the U.S. dollar?', A. 'The euro and other foreign currencies held by the Federal Reserve', B. 'Gold bars in secure locations like Fort Knox', C. 'The promise of the U.S. government to maintain its value', D. 'The value of the actual paper on which it is printed.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 50:

'In what ways is contractionary fiscal policy in the United States likely to affect domestic interest rates and the international value of the dollar?', A. 'Interest rates increase and the dollar depreciates.', B.

'Interest rates decrease and the dollar appreciates.', C. 'Interest rates increase and the dollar appreciates.', D. 'Interest rates decrease and the dollar depreciates.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 51:

'Which of the following results from stagflation?', A. 'Unemployment decreases', B. 'The price level decreases', C. 'The aggregate supply curve shifts to the right', D. 'The Phillips curve shifts to the right'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 52:

'What does the presence of discouraged workers do to the measurement of the unemployment rate?', A. 'Discouraged workers are counted as "out of the labor force" thus the unemployment rate is understated making the economy look stronger than it is.', B. 'Discouraged workers are counted as "out of the labor force" thus the unemployment rate is understated making the economy look weaker than it is.', C. 'Discouraged workers are not surveyed so there is no impact on the unemployment rate.', D. 'Discouraged workers are counted as "unemployed" thus the unemployment rate is understated making the economy look stronger than it is.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 53:

'Which of the following statements is true?', A. 'Some of the things included in M2 are not as liquid as the things in M1.', B. 'M2 is smaller than M1.', C. 'M1 is backed by gold and M2 is backed by silver.', D. 'The biggest component of M1 is currency.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 54:

'To close an expansionary gap', A. 'the aggregate demand curve should be shifted to the right.', B. 'the aggregate demand curve should be shifted to the left.', C. 'the aggregate supply curve should be shifted to the right.', D. 'the aggregate supply curve should be shifted to the left.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 55:

'If the short-run aggregate supply curve is horizontal it is because', A. 'there exist many unemployed resources so that output can be increased without increasing wages and prices.', B. 'any increase in output requires a corresponding increase in wages and prices.', C. 'increases in output cause prices to increase but wages adjust much less quickly.', D. 'falling interest rates increase the demand for goods and services putting upward pressure on prices.'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 56:

'In the equation $GDP = C + I + G + X$ X stands for', A. 'exports.', B. 'expenditures.', C. 'exports minus imports.', D. 'imports minus exports.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 57:

'Which of the following represents a combination of contractionary fiscal and expansionary monetary policy? FISCAL POLICY MONETARY POLICY', A. 'Higher taxes Selling Treasury securities', B.

'Lower taxes Buying Treasury securities', C. 'Lower government spending Increasing the reserve ratio', D. 'Higher taxes Buying Treasury securities'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 58:

'Inflation', A. 'hurts creditors who do not anticipate it.', B. 'hurts creditors who anticipate it.', C. 'hurts debtors.', D. 'both A and D are correct.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 59:

'Stagflation most likely results from', A. 'increasing AD with constant SRAS.', B. 'decreasing SRAS with constant AD.', C. 'decreasing AD with constant SRAS.', D. 'a decrease in both AD and SRAS.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

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Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 60:

'Which group of people will suffer the most from a rising price level?', A. 'debtors with fixed interest rates', B. 'people with fixed money incomes', C. 'investors in gems coins and stamps', D. 'property owners'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

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Answer Option 7:

Final Answer: B

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Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

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Question 61:

'Which of the following lists contains only Fed actions that will increase the money supply?', A. 'Raise reserve requirements; lower the discount rate; sell bonds.', B. 'Raise reserve requirements; lower the discount rate; buy bonds.', C. 'Raise reserve requirements; raise the discount rate; sell bonds.', D. 'Lower reserve requirements; lower the discount rate; buy bonds.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: D

Question 62:

The government measures inflation using the', A. 'GNP', B. 'URL', C. 'CPI', D. 'FED'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 63:

'If people expect the price of a particular product to increase in the near future', A. 'this will not affect the demand for the product right now.', B. 'this will decrease the demand for the product.', C. 'this will not affect the demand for the product now or later.', D. 'this will increase the demand for the product.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 64:

'The effect of the spending multiplier is lessened if', A. 'the price level is constant with an increase in aggregate demand.', B. 'the price level falls with an increase in aggregate supply.', C. 'the price level is constant with an increase in long-run aggregate supply.', D. 'the price level rises with an increase in aggregate demand.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 65:

'Operating in the intermediate range of the aggregate supply curve an increase in aggregate demand results in an increase in', A. 'price level only', B. 'real GDP only', C. 'neither price level nor real GDP', D. 'price level and real GDP'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 66:

'Suppose DVD players are a normal good and are exchanged in a competitive market. All else equal an increase in household income will', A. 'increase the equilibrium quantity and increase the price.', B. 'decrease the equilibrium quantity and increase the price.', C. 'increase the equilibrium price but the change in quantity is ambiguous.', D. 'decrease the equilibrium quantity and decrease the price.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 67:

'According to Keynesian theory a decrease in the money supply would', A. 'lower interest rates which would encourage borrowing and therefore increase spending.', B. 'raise interest rates which would discourage borrowing and therefore increase spending.', C. 'raise interest rates which would discourage borrowing and therefore reduce spending.', D. 'lower interest rates which would discourage borrowing and therefore reduce spending.'

=====

Answer Option 1:

Final Answer: C

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Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

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Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 68:

'If the money supply increases what happens in the money market (assuming money demand is downward sloping)?', A. 'The nominal interest rates rises.', B. 'The nominal interest rates falls.', C. 'The nominal interest rate does not change.', D. 'Transaction demand for money falls.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 69:

'If XYZ Corporation buys an original Matisse painting to hang in its board room then', A. 'GDP decreases by the amount of the purchase because C decreases.', B. 'GDP increases by the amount of the purchase because I increases.', C. 'GDP is unaffected because it is a second hand sale.', D. 'GDP decreases because I decreases.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: A

=====

Question 70:

'The tax multiplier increases in magnitude when', A. 'the MPS increases.', B. 'the spending multiplier falls.', C. 'the MPC increases.', D. 'government spending increases.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 71:

'The international value of the dollar will appreciate if', A. 'American income falls relative to the rest of the world.', B. 'American interest rates fall relative to interest rates in other countries.', C. 'American prices rise.', D. 'foreigners boycott American products.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 72:

'Which of the following is not included in M1?', A. 'Coins.', B. 'Paper money.', C. 'Travelers' checks.', D. 'Credit cards.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 73:

'The domestic purchasing power of a currency', A. 'varies directly with the cost of living', B. 'is inversely related to the savings rate', C. 'is inversely related to the price level', D. 'varies directly with economic growth'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 74:

'It is unlikely that the unemployment rate will ever fall to zero because of', A. 'frictional unemployment.', B. 'cyclical unemployment.', C. 'government policies.', D. 'corporate policies.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 75:

'Which of the following is an accurate statement of the money supply in the United States?', A. 'The money supply is backed by gold reserves.', B. 'The least liquid measure of money is M2.', C. 'M1 is larger than M3.', D. 'The most liquid measure of money is M1.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 76:

'Which of the following is an example of an expansionary supply shock?', A. 'Rapid increasing wages', B. 'A greatly depreciated currency', C. 'Declining labor productivity', D. 'Lower factor prices in major industries'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 77:

'Which of the following shifts the production possibilities frontier outward?', A. 'A decrease in the price level.', B. 'An increase in labor productivity.', C. 'An increase in the money supply.', D. 'A decrease in the unemployment rate.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 78:

'The money supply will increase as a result of which of the following?', A. 'A decrease in the required reserve ratio', B. 'An increase in the discount rate', C. 'The selling of bonds by the Federal Reserve', D. 'An increase in the fraction of deposits that must be held by banks'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 79:

'Output in country X is 30000 units and there are 3000 persons working while country Z has an output of 40000 units and 8000 workers.', A. 'The productivity of labor in country Z is 33 percent higher than in country X.', B. 'The productivity of labor in country Z is 25 percent higher than in country X.', C. 'The productivity of labor in country X is 33 percent higher than in country Z.', D. 'The productivity of labor in country X is twice as much as country Z.'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 80:

'Milton Friedman', A. 'never won a Nobel Prize despite his contributions to economic analysis.', B. 'is a Monetarist.', C. 'is a Keynesian.', D. 'won a Nobel Prize for his contributions to Classical economic analysis.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 81:

'According to Monetarist theory when the money supply is changed the economy is affected', A. 'only because a change in the money supply affects interest rates.', B. 'in several ways.', C. 'because interest rates change and so do many other factors that affect spending.', D. 'because many factors that affect spending change but not interest rates.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 82:

'Which of the following is true of money and financial markets?', A. 'As the demand for bonds increases the interest rate increases.', B. 'For a given money supply if nominal GDP increases the velocity of money decreases.', C. 'When demand for stocks and bonds increases the asset demand for money falls.', D. 'A macroeconomic recession increases the demand for loanable funds.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 83:

'Using the model of AD and AS what happens in the short run to real GDP the price level and unemployment with more consumption spending (C)? REAL GDP PRICE LEVEL UNEMPLOYMENT', A.

'Increases Decreases Decreases', B. 'Decreases Increases Increases', C. 'Increases Increases Decreases', D. 'Decreases Decreases Decreases'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 84:

'Suppose the economy is operating beyond full employment. Which of the following is true at this point?', A. 'The short-run aggregate supply curve is horizontal.', B. 'Further increases in aggregate demand will result in a lower price level.', C. 'A decrease in aggregate demand will result in a lower price level if prices are sticky.', D. 'Further increases in aggregate demand will not lower the unemployment rate but will create inflation.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 85:

'An American buys an entertainment system that was manufactured in China. How does the U.S. national income accounts treat this transaction?', A. 'Net exports and GDP both rise.', B. 'Net exports and GDP both fall.', C. 'Net exports and GDP go in opposite directions.', D. 'Net exports fall and there is no change in GDP.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 86:

'A nation that must consistently borrow to cover annual budget deficits risks', A. 'a depreciation of the nation's currency as foreigners increase investment in the nation.', B. 'a decline in net exports as the nation's goods become more expensive to foreign consumers.', C. 'lower interest rates that discourage foreign investment in the nation.', D. 'an appreciation of the nation's currency as foreigners decrease investment in the nation.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: A

=====

Question 87:

'All else equal when the United States exports more goods and services', A. 'the value of the dollar falls as the supply of dollars increases.', B. 'the value of the dollar rises as demand for dollars increases.', C. 'the value of the dollar falls as demand for dollars decreases.', D. 'the value of the dollar rises as the supply of dollars increases.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 88:

'According to Classical analysis an economy in a recession can return to full employment through', A. 'falling wages and prices.', B. 'rising wages and prices.', C. 'expansionary monetary policy.', D. 'increased government spending.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 89:

'One strategy a corporation may use to gain market share in a foreign market is', A. 'raising the price of its product.', B. 'convincing its government to put an import tariff on the product.', C. 'convincing its government to place a quota on the product.', D. 'dumping.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 90:

'GDP is \$10 million consumer spending is \$6 million government spending is \$3 million exports are \$2 million and imports are \$3 million. How much is spent for investments?', A. '\$0 million', B. '\$1 million', C. '\$2 million', D. '\$3 million'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: C

Answer Option 3:

Let's calculate the investment spending.

Investment spending = GDP - Consumer spending - Government spending - Exports + Imports

Investment spending = \$10 million - \$6 million - \$3 million - \$2 million + \$3 million

Investment spending = \$2 million

Final Answer: C

Answer Option 4:

To calculate the amount spent for investments, we need to subtract all the components of GDP except for investments.

Investments = GDP - Consumer Spending - Government Spending - Exports + Imports

Investments = \$10 million - \$6 million - \$3 million - \$2 million + \$3 million

Investments = \$2 million

Final Answer: C

Answer Option 5:

To find the amount spent for investments, we need to subtract the sum of consumer spending, government spending, exports, and imports from GDP.

Investments = GDP - (Consumer spending + Government spending + Exports - Imports)

Investments = \$10 million - (\$6 million + \$3 million + \$2 million - \$3 million)

Investments = \$10 million - \$8 million

Investments = \$2 million

Final Answer: C

Answer Option 6:

To determine the amount spent for investments, we can use the formula:

GDP = Consumer Spending + Government Spending + Investments + (Exports - Imports)

Given that GDP is \$10 million, consumer spending is \$6 million, government spending is \$3 million, exports are \$2 million, and imports are \$3 million, we can substitute these values into the formula:

\$10 million = \$6 million + \$3 million + Investments + (\$2 million - \$3 million)

Simplifying further:

\$10 million = \$9 million + Investments - \$1 million

\$10 million = \$8 million + Investments

Subtracting \$8 million from both sides:

\$2 million = Investments

Therefore, the amount spent for investments is \$2 million.

Final Answer: C

Answer Option 7:

To calculate the amount spent on investments, we need to use the formula:

GDP = Consumer Spending + Government Spending + Investments + Exports - Imports

Given:

GDP = \$10 million

Consumer Spending = \$6 million

Government Spending = \$3 million

Exports = \$2 million

Imports = \$3 million

Using the formula, we can rearrange it to solve for Investments:

Investments = GDP - (Consumer Spending + Government Spending + Exports - Imports)

Substituting the given values:

Investments = \$10 million - (\$6 million + \$3 million + \$2 million - \$3 million)

Investments = \$10 million - (\$9 million)

Investments = \$1 million

Therefore, the amount spent for investments is \$1 million.

Final Answer: B

Answer Option 8:

To calculate the amount spent for investments, we need to use the equation:

GDP = Consumer spending + Government spending + Investments + Exports - Imports

Given:

GDP = \$10 million

Consumer spending = \$6 million

Government spending = \$3 million

Exports = \$2 million

Imports = \$3 million

Substituting the given values into the equation, we can solve for investments:

\$10 million = \$6 million + \$3 million + Investments + \$2 million - \$3 million

\$10 million = \$8 million + Investments

Subtracting \$8 million from both sides, we get:

Investments = \$10 million - \$8 million

Investments = \$2 million

Therefore, the amount spent for investments is \$2 million.

Final Answer: C

Answer Option 9:

To determine the amount spent for investments, we need to use the formula:

GDP = Consumer Spending + Government Spending + Investment + Net Exports

Given:

GDP = \$10 million

Consumer Spending = \$6 million

Government Spending = \$3 million

Exports = \$2 million

Imports = \$3 million

To find Investment, we rearrange the formula:

Investment = GDP - Consumer Spending - Government Spending - Net Exports

Net Exports = Exports - Imports

Net Exports = \$2 million - \$3 million = -\$1 million

Now, we can substitute the values:

Investment = \$10 million - \$6 million - \$3 million - (-\$1 million)

Investment = \$10 million - \$6 million - \$3 million + \$1 million

Investment = \$2 million

Therefore, the amount spent for investments is \$2 million.

Final Answer: C

Question 91:

'If the Japanese economy suffers a deep prolonged recession in what ways would U.S. net exports and the values of the dollar and yen change? U.S. NET EXPORTS VALUE OF DOLLAR VALUE OF YEN', A. 'Decreases Increases Increases', B. 'Decreases Decreases Decreases', C. 'Decreases Decreases Increases', D. 'Increases Decreases Increases'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 92:

'Of the following choices which combination of fiscal and monetary policy would most likely reduce a recessionary gap? FISCAL POLICY MONETARY POLICY', A. 'Increase taxes. Increase the reserve ratio.', B. 'Decrease spending. Sell Treasury securities.', C. 'Decrease taxes. Buy Treasury securities.', D. 'Increase spending. Increase the reserve ratio.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 93:

The appropriate fiscal policy to remedy a recession is to, A. 'increase government spending and taxes.', B. 'reduce government spending and taxes.', C. 'increase government spending and reduce taxes.', D. 'decrease government spending and increase taxes.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 94:

'If real GDP per capita was \$20000 in 1980 and \$21000 in 1990 then we conclude that the standard of living has increased', A. '0.5 percent.', B. '5.0 percent.', C. '50 percent.', D. '3.3 percent.'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

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Answer Option 6:

Final Answer: D

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Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

To calculate the percentage increase in the standard of living, we use the following formula:

Percentage Increase = (New Value - Old Value) / Old Value * 100

Using this formula, we find:

Percentage Increase = (21000 - 20000) / 20000 * 100 = 1000 / 20000 * 100 = 5

Therefore, the correct answer is B. 5.0 percent.

=====

Question 95:

'A use of easy money (expansionary) policy by the Fed could result in which of the following?', A. 'an increase in net exports', B. 'a decrease in net exports', C. 'an increase in the real interest rate', D. 'an increase in the nominal interest rate'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 96:

'If the inflation rate is expected to increase in the immediate future then', A. 'consumers will begin saving more now.', B. 'the velocity of money will fall.', C. 'this will put upward pressure on the nominal interest rate.', D. 'this will put downward pressure on the real interest rate.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 97:

'Which of the following is not included in M2?', A. 'Currency.', B. 'Travelers' checks.', C. 'Certificates of deposit.', D. 'Credit cards.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 98:

'Rising prices are a problem because', A. 'money in household savings accounts can now buy fewer goods and services.', B. 'household incomes generally do not rise with prices.', C. 'the economy could run out of money.', D. 'borrowers have to repay loans with more dollars.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 99:

'According to Keynesian theory', A. 'the FED should not conduct monetary policy.', B. 'changes in the money supply have significant effects.', C. 'fiscal policy is the preferred way of shifting the aggregate demand curve.', D. 'the FED should allow the money supply to grow at a constant rate.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 100:

'If the economy were experiencing a recessionary gap choose the option below that would be an appropriate fiscal policy to eliminate the gap and the predicted impact of the policy on real GDP and unemployment. FISCAL POLICY REAL GDP UNEMPLOYMENT', A. 'Increase taxes. Increase Decrease', B. 'Decrease spending. Decrease Increase', C. 'Decrease taxes. Increase Increase', D. 'Decrease taxes. Increase Decrease'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 101:

'Which of the following tends to increase the spending multiplier?', A. 'An increase in the marginal propensity to consume', B. 'A decreased velocity of money', C. 'An increase in the marginal propensity to save', D. 'An increase in the real interest rate'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 102:

'A negative or contractionary supply shock will', A. 'shift the Phillips curve to the left.', B. 'shift the investment demand curve to the right.', C. 'shift the money demand curve to the right.', D. 'shift the Phillips curve to the right.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 103:

'The crowding-out effect from government borrowing is best described as', A. 'the rightward shift in AD in response to the decreasing interest rates from contractionary fiscal policy.', B. 'the leftward shift in AD in response to the rising interest rates from expansionary fiscal policy.', C. 'the effect of the President increasing the money supply which decreases real interest rates and increases AD.', D. 'the effect on the economy of hearing the chairperson of the central bank say that he or she believes that the economy is in a recession.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 104:

'Which of the following best describes a key difference between the short-run and long-run aggregate supply curve?', A. 'Short-run aggregate supply is upward sloping as nominal wages quickly respond to price level changes.', B. 'Long-run aggregate supply is upward sloping as nominal wages quickly respond to price level changes.', C. 'Short-run aggregate supply is vertical as nominal wages quickly respond to price level changes.', D. 'Short-run aggregate supply is upward sloping as nominal wages do not quickly respond to price level changes.'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: D

=====

Question 105:

'In order to reduce or eliminate crowding out expansionary fiscal policy can be accompanied by', A. 'an increase in government spending', B. 'a decrease in investment', C. 'expansionary monetary policy', D. 'contractionary monetary policy'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 106:

'For years you work as a grocery checker at a supermarket and one day you are replaced by self-serve checkout stations. What type of unemployment is this?', A. 'Cyclical', B. 'Structural', C. 'Seasonal', D.

'Frictional'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 107:

'Monetarists believe that V and Q are', A. 'constant.', B. 'stable.', C. 'variable.', D. 'not critical for understanding how money affects the economy.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 108:

'The appropriate fiscal policy to remedy a recession', A. 'calls for the federal government to run a deficit.', B. 'calls for the federal government to run a surplus.', C. 'is increased taxes and government spending.', D. 'is decreased government spending and taxes.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 109:

'Suppose that Tiger Woods buys a golf ball in England for \$1 and the marginal propensity to consume in England is 0.75. What is the total increase in England's real GDP resulting from Mr. Woods' purchase?', A. '\$1 ', B. '\$1.25 ', C. '\$1.75 ', D. '\$4 '

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: B. '\$1.25'

Question 110:

'Which of the following monetary policies would lessen the effectiveness of expansionary fiscal policy?', A. 'Decreasing the value of the domestic currency.', B. 'Lowering the income tax rate.', C. 'Selling Treasury securities to commercial banks.', D. 'Lowering the discount rate.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 111:

'In the equation of exchange if V and Q are constant then', A. 'changes in the price level must be proportional to changes in the money supply.', B. 'changes in the money supply have no effect on the price level.', C. 'changes in the price level have no effect on the money supply.', D. 'the equation is invalid.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 112:

'In 2004 the United States had a trade deficit of \$603 billion; therefore', A. 'net exports were positive.', B. 'Americans consumed more than they produced.', C. 'America's government spent more than it took in.', D. '\$603 billion worth of capital flowed out of America.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 113:

'If interest rates rise in the United States relative to other nations then', A. 'the value of the dollar will tend to appreciate.', B. 'the value of the dollar will tend to depreciate.', C. 'exchange rates will be affected but not the value of the dollar.', D. 'the exchange rate will not be affected.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 114:

'Use the following three responses to answer the question: Fiscal policy is not always effective because of I. crowding out. II. rational expectations. III. the balanced budget amendment.'; A. 'I only', B. 'II only',

C. 'II and III', D. 'I and II'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 115:

'The reserve ratio is .10 and Mommy Morebucks withdraws \$1 million from her checking account and keeps it as cash in her refrigerator. How does this withdrawal potentially impact money in circulation?', A.

'Decreases it by \$9 million', B. 'Decreases it by \$1 million', C. 'Decreases it by \$100000', D. 'Increases it by \$1 million'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 116:

'Which of the following is a consequence of a protective tariff on imported steel?', A. 'Net exports fall.', B. 'Income is transferred from domestic steel consumers to domestic steel producers.', C. 'Allocative efficiency is improved.', D. 'Income is transferred from domestic steel to foreign steel producers.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 117:

'Of the following choices the one most likely to be preferred by supply-side economists would be', A. 'increased government spending.', B. 'higher tariffs on imported goods.', C. 'lower taxes on household income.', D. 'a tax credit on capital investment.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 118:

'Economic growth is', A. 'measured by the number of businesses in the economy.', B. 'shared equally among the population.', C. 'critical in determining the standard of living in a nation.', D. 'measured by the amount of government spending.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 119:

'If Real GDP = \$200 billion and the price index = 200 Nominal GDP is', A. '\$4 billion', B. '\$400 billion', C. '\$200 billion', D. '\$2 billion'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 120:

'Which of the following is NOT included in GDP?', A. 'Federal government purchases of goods and services.', B. 'Imports.', C. 'State and local government purchases of goods and services.', D. 'Exports.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 121:

'Which of the following will promote economic growth?', A. 'An increase in the amount of capital.', B. 'Lower wages.', C. 'Price controls that keep prices low.', D. 'Increased government spending.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 122:

'Automatic stabilizers in the economy serve an important role in', A. 'increasing the length of the business cycle.', B. 'balancing the budget.', C. 'increasing a budget surplus in a recession.', D. 'lessening the impact of a recession.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 123:

'To deflate nominal gross domestic product (GDP) you must', A. 'divide nominal GDP by the GDP deflator.', B. 'multiply real GDP by the GDP deflator.', C. 'divide real GDP by the GDP deflator.', D. 'multiply nominal GDP by the GDP deflator.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: A

Question 124:

To move the economy closer to full employment the central bank decides that the federal funds rate must be increased. The appropriate open market operation is to _____ which _____ the money supply _____ aggregate demand and fights _____. OMO MONEY SUPPLY AD TO FIGHT', A. 'Buy bonds Increases Increases Unemployment', B. 'Buy bonds Increases Increases Inflation', C. 'Sell bonds Decreases Decreases Unemployment', D. 'Sell bonds Decreases Decreases Inflation'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: D

Question 125:

'Say's Law', A. 'is the basis of Keynesian economic analysis.', B. 'is the basis of Classical economic analysis.', C. 'states that demand creates its own supply.', D. 'indicates that prices will be stable in capitalist economies.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 126:

'The aggregate supply curve will shift to the right in response to', A. 'a decrease in the labor supply', B. 'an increase in investment in capital', C. 'an increase in corporate taxes', D. 'a decrease in the availability of education and training'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 127:

'U.S. real GDP most likely falls when', A. 'tariffs and quotas are removed.', B. 'investment in human capital is high.', C. 'the money supply is increased.', D. 'the value of the dollar relative to foreign currencies is high.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 128:

'The term "menu costs" refers to', A. 'less choices due to inflation.', B. 'financial assets being worth less due to inflation.', C. 'a la carte savings falling.', D. 'resource misallocation due to inflation.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 129:

'Investment demand most likely increases when', A. 'real GDP decreases.', B. 'the cost of acquiring and maintaining capital equipment rises.', C. 'investor optimism improves.', D. 'the real rate of interest rises.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 130:

'The population of country X is exactly the same as country Y but country X produces twice as much output as country Y. We can conclude that', A. 'the people of country X are smarter than the people of country Y.', B. 'the people of country X enjoy a standard of living twice as much as country Y.', C. 'the people of country Y enjoy a standard of living twice as much as country X.', D. 'the people of country Y work twice as hard as the people of country X.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 131:

'A nation is producing at a point inside of its production possibility curve. Which of the following is a possible explanation for this outcome?', A. 'This nation has experienced a permanent decrease in its production capacity.', B. 'This nation has experienced slower than usual technological progress.', C. 'This nation has avoided free trade between other nations.', D. 'This nation is experiencing an economic recession.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 132:

'Which of the following is characteristic of a centrally planned economic system?', A. 'Resources are allocated based on relative prices.', B. 'The circular flow of goods and services minimizes the role of the federal government.', C. 'Private ownership of resources is fundamental to economic growth.', D. 'Government planners decide how best to produce goods and services.'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: D

=====

Question 133:

'If the Federal Reserve was concerned about the "crowding-out" effect they could engage in', A. 'expansionary monetary policy by lowering the discount rate.', B. 'expansionary monetary policy by selling Treasury securities.', C. 'contractionary monetary policy by raising the discount rate.', D. 'contractionary monetary policy by lowering the discount rate.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 134:

'According to Keynesian analysis a decrease in the money supply would', A. 'raise the price level and output in the economy.', B. 'lower the price level and output in the economy.', C. 'raise the price level in the economy.', D. 'lower the price level in the economy.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 135:

'Suppose the exchange rates are 0.5 British Pound per dollar; 10 Mexican Pesos per dollar; and 100 Chinese Yuan per dollar. Further suppose that a Big Mac costs 3 dollars in America; 2 pounds in England; 50 pesos in Mexico; and 200 yuan in China. In which country is a Big Mac most expensive?'; A. 'America (\$3).'; B. 'England (\$4).'; C. 'Mexico (\$5).'; D. 'China (\$2).'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 136:

'When a bank's balance sheet shows that the bank has excess reserves', A. 'the bank's reserves exceed the bank's assets', B. 'the bank can make additional loans', C. 'the bank's actual reserves are less than its required reserves', D. 'the bank is required to change its interest rate'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 137:

'Which is the best way to describe the AS curve in the long run?'; A. 'Always vertical in the long run.'; B. 'Always upward sloping because it follows the Law of Supply.'; C. 'Always horizontal.'; D. 'Always downward sloping.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 138:

'Suppose that current disposable income is \$10000 and consumption spending is \$8000. For every \$100 increase in disposable income saving increases \$10. Given this information', A. 'the marginal propensity to consume is .80.', B. 'the marginal propensity to save is .20.', C. 'the marginal propensity to save is .10.', D. 'the marginal propensity to save is .90.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 139:

'When the United States places an import quota on imported sugar we expect which of the following effects?', A. 'Consumers seek substitutes for sugar and products that use sugar.', B. 'Consumers consume more sugar and products that use sugar.', C. 'The supply of sugar increases.', D. 'Net exports in the United States fall.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 140:

'Which of the following is the source of the supply of loanable funds?', A. 'The stock market', B. 'Investors', C. 'Net exports', D. 'Savers'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 141:

'Congress has embarked on another round of expansionary fiscal policy to boost employment and get reelected. As chair of the central bank how would you reduce the "crowding-out" effect and what macroeconomic problem might your policy exacerbate?', A. 'Increase the reserve ratio risking the devaluation of the dollar', B. 'Sell government securities risking inflation', C. 'Buy government securities risking a recessionary gap', D. 'Lower the discount rate risking inflation'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: C

=====

Question 142:

'A change in government spending will have a greater short run impact on real output when', A. 'the marginal propensity to consume is lower.', B. 'the velocity of money is lower.', C. 'the velocity of money is higher.', D. 'the marginal propensity to consume is larger.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 143:

'An American firm moves a manufacturing plant from the United States to Brazil. How will this affect gross domestic product (GDP) in the United States and in Brazil?', A. 'U.S. GDP falls and Brazil's GDP falls.', B. 'U.S. GDP rises and Brazil's GDP falls.', C. 'U.S. GDP falls and Brazil's GDP remains constant.', D. 'U.S. GDP falls and Brazil's GDP rises.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 144:

'In the United States over the years V and Q', A. 'have not changed significantly.', B. 'are perfectly constant.', C. 'have decreased significantly.', D. 'have increased significantly.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 145:

'Which of the following best measures changes in the price level of national product?', A. 'The consumer price index', B. 'The real interest rate', C. 'The unemployment rate', D. 'The GDP deflator'

=====

Answer Option 1:

Final Answer: D

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Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

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Answer Option 7:

Final Answer: D

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Answer Option 8:

Final Answer: D

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Answer Option 9:

Final Answer: D

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Question 146:

'Suppose the demand for a particular product falls while the supply simultaneously increases. What will happen to the equilibrium price and the equilibrium quantity?', A. 'The equilibrium price will rise while the equilibrium quantity is indeterminate.', B. 'The equilibrium price will fall while the equilibrium quantity is indeterminate.', C. 'The equilibrium price is indeterminate while the equilibrium quantity will rise.', D. 'The equilibrium price is indeterminate while the equilibrium quantity will fall.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 147:

'When a large increase in aggregate demand has an even greater increase in real GDP economists refer to this as', A. 'the balanced budget multiplier.', B. 'the money multiplier.', C. 'the foreign substitution effect.', D. 'the spending multiplier.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 148:

'Output in country A is 1200 units and its population is 100 persons. Output in country B is 2400 units and its population is 400 persons.', A. 'Country A has a higher standard of living than country B.', B. 'Country A has a lower standard of living than country B.', C. 'Country A and B have identical living standards.', D. 'Country A is less productive than country B.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

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Question 149:

'Private industry can promote economic growth by', A. 'implementing innovative production techniques.', B. 'offering products at artificially low prices.', C. 'giving a significant amount of profits to charity.', D. 'hiring workers who are not really needed.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 150:

'Which of the following would be included in U.S. GDP calculations?', A. 'An auto mechanic fixing his dentist's car for a filling', B. 'A stay-at-home dad providing childcare for his children', C. 'A worker donating \$200 to the Red Cross', D. 'High school students spending their Saturdays building homes for the homeless'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 151:

The U.S. economy currently suffers a recessionary gap and a budget deficit exists. If the government wishes to fix the recession which of the following choices best describes the appropriate fiscal policy the impact on the market for loanable funds the interest rate and the market for the U.S. dollar? FISCAL POLICY LOANABLE FUNDS INTEREST RATE MARKET FOR \$, A. 'Tax increase Demand rises Falling Demand falls', B. 'Tax cut Supply rises rising Demand rises', C. 'Tax cut Demand rises rising Demand rises', D. 'Tax increase Supply falls Falling Demand rises'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 152:

'Expansionary monetary policy is designed to', A. 'decrease the interest rate increase private investment increase aggregate demand and increase domestic output.', B. 'decrease the interest rate increase private investment increase aggregate demand and increase the unemployment rate.', C. 'increase the interest rate increase private investment increase aggregate demand and increase domestic output.', D. 'increase the interest rate decrease private investment increase aggregate demand and increase domestic output.'

=====

Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 153:

'One drawback of using fiscal policy to close a recessionary gap is that', A. 'unemployment will rise.', B. 'taxes will have to be raised.', C. 'the equilibrium price level will rise.', D. 'government spending on important programs will have to be cut.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 154:

'Which of the following would be considered contractionary monetary policy?', A. 'The purchase of bonds', B. 'The sale of bonds', C. 'An increase in taxes', D. 'An increase in government spending'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 155:

'U.S. dollars and the European Union's (EU's) euro are exchanged in global currency markets. Which of the following is true?', A. 'If inflation is high in the EU and the price level in the United States is stable the value of the dollar appreciates.', B. 'If the Fed decreases the money supply the value of the dollar depreciates.', C. 'If EU consumers are less inclined to purchase American goods the dollar appreciates.', D. 'If U.S. income levels are rising relative to incomes in the EU the euro depreciates.'

=====

Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 156:

'Which of the following is likely to shift the long-run aggregate supply curve to the right?', A. 'A nation that devotes more resources to nondurable consumption goods rather than durable capital goods', B. 'Research that improves the productivity of labor and capital', C. 'More restrictive trade policies', D. 'Annual limits to immigration of foreign citizens'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 157:

'If the cost of the basket of goods and services the Bureau of Labor Statistics uses to calculate the consumer price index rises from \$200 in the base period to \$400 in the current period then the consumer price index', A. 'equals 0.5 in the current period.', B. 'has risen 5 percent from the base to the current period.', C. 'equals 50 in the current period.', D. 'equals 200 in the current period.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: B

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Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 158:

'Which of the following is a consequence of removal of a protective tariff on imported steel?'. A. 'Imports fall.', B. 'Income is transferred from steel consumers to domestic steel producers.', C. 'Income is transferred from foreign steel producers to domestic steel producers.', D. 'Allocative efficiency is improved.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: B

Question 159:

'If the FED buys bonds in the secondary market', A. 'the money supply will increase.', B. 'the money supply will decrease.', C. 'the money supply will not be affected.', D. 'the discount rate would be affected.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 160:

'A financial planner on a popular TV show convinces more Americans to save for retirement. What is the result on the supply and demand for loanable funds?', A. 'The supply curve would shift up increasing the equilibrium interest rate.', B. 'The demand curve would shift up increasing the equilibrium interest rate.', C. 'The supply curve would shift down decreasing the equilibrium interest rate.', D. 'The demand curve would shift down decreasing the equilibrium interest rate.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 161:

'The aggregate demand curve has a negative slope in part because when the price level increases', A. 'the value of cash increases', B. 'imports become relatively more expensive', C. 'the real quantity of money increases', D. 'the interest rate increases'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 162:

'A budget deficit exists when', A. 'the total amount that the government owes at a given time is positive', B. 'government spending exceeds tax collections for a given period', C. 'exports exceed imports in a given year', D. 'imports exceed exports in a given year'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 163:

'Of the following choices the most direct exchange in the circular flow model of a private closed economy is when', A. 'households provide goods to firms in exchange for wage payments.', B. 'households provide resources to firms in exchange for goods.', C. 'households provide revenues to firms in exchange for wage payments.', D. 'firms supply goods to households in exchange for revenues.'

=====

Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

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Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 164:

'Depreciation of the dollar is most likely to', A. 'increase imports', B. 'increase travel abroad', C. 'increase exports', D. 'decrease a trade surplus'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 165:

'Which of the following increases the size of the tax multiplier?', A. 'An increase in the marginal propensity to consume.', B. 'An increase in the reserve ratio.', C. 'An increase in the marginal propensity to save.', D. 'A decrease in the spending multiplier.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 166:

'Which of the following is not a scarce economic resource?', A. 'Labor', B. 'Capital', C. 'Human wants', D. 'Land'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 167:

'Lower interest rates in the United States cause the value of the dollar and exports to change in which of the following ways? VALUE OF THE DOLLAR U.S. EXPORTS'; A. 'Increasing Increasing', B.

'Increasing Decreasing', C. 'Decreasing Increasing', D. 'Decreasing Unchanged'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 168:

'Which of the following is true of automatic fiscal policy stabilizers?', A. 'For a given level of government spending they produce a deficit during a recession and a surplus during an expansion.', B. 'They serve to prolong recessionary and inflationary periods.', C. 'The regressive tax system is a fundamental component of automatic stabilizers.', D. 'For a given level of government spending they produce a surplus during a recession and a surplus during an expansion.'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

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Answer Option 6:

Final Answer: A

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Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: A

=====

Question 169:

'Which of the following would NOT shift the aggregate demand curve?', A. 'A change in consumer confidence.', B. 'A change in technology.', C. 'A change in the money supply.', D. 'A change in spending by state governments.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 170:

'Which of the following would likely contribute to faster rates of economic growth?', A. 'A more restrictive immigration policy', B. 'Negative net investment', C. 'Higher taxes on households and firms', D. 'Higher government funding of research on clean energy supplies'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 171:

'The Phillips curve represents the relationship between', A. 'inflation and the money supply.', B. 'unemployment and the money supply.', C. 'the money supply and the real interest rate.', D. 'inflation and unemployment.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 172:

'If real GDP per capita grows at a rate of 10 percent a year then we can expect the standard of living to double in', A. '10 years.', B. '9 years.', C. '8 years.', D. '7 years.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 173:

'The government can promote economic growth by', A. 'setting a minimum wage.', B. 'regulating industry.', C. 'taxing firms that waste resources.', D. 'job training programs.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 174:

'Which of the following would shift the aggregate demand curve to the left?', A. 'An increase in consumer confidence.', B. 'Business firms expect lower sales in the future.', C. 'Foreigners develop a preference for our products.', D. 'Government increases its level of spending.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 175:

'Which component of a nation's balance of payments recognizes the purchase and sale of real and financial assets between nations?', A. 'The capital account', B. 'The official reserves account', C. 'The current account', D. 'The trade deficit account'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 176:

'At the break-even point', A. 'the expenses of corporations just equal their revenues.', B. 'household spending equals household income.', C. 'total spending equals income.', D. 'dissaving occurs and inventories are accumulating.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 177:

'A dark room technician who develops film into photographs loses his job because few people use film cameras any more. This is an example of which of the following?', A. 'Frictional unemployment', B. 'Structural unemployment', C. 'Cyclical unemployment', D. 'Seasonal unemployment'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 178:

'The fractional reserve banking system's ability to create money is lessened if', A. 'households that borrow redeposit the entire loan amounts back into the banks.', B. 'banks hold excess reserves.', C. 'banks lend all excess reserves to borrowing customers.', D. 'households increase checking deposits in banks.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 179:

'If a bank has \$500 in checking deposits and the bank is required to reserve \$50 what is the reserve ratio? How much does the bank have in excess reserves?', A. '10 percent \$450 in excess reserves', B. '90 percent \$50 in excess reserves', C. '90 percent \$450 in excess reserves', D. '10 percent \$50 in excess reserves'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: D

=====

Question 180:

The government of a country decides to increase government spending and taxes by the same amount in order to keep a balanced budget. The MPC is 0.75. Which of the following is true of this situation?

Policy Direction Expenditure Multiplier Tax Multiplier', A. 'expansionary 4 3', B. 'expansionary 4 -3', C. 'contractionary 4 3', D. 'contractionary 4 -3'

=====

Answer Option 1:

Final Answer: C

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Answer Option 2:

Final Answer: C

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Answer Option 3:

Final Answer: C

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Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: A

=====

Question 181:

'How does an increasing national debt impact the market for U.S. dollars and the value of the dollar with respect to other currencies? MARKET FOR THE DOLLAR VALUE OF THE DOLLAR', A. 'Increased demand Appreciating', B. 'Increased supply Appreciating', C. 'Decreased supply Depreciating', D. 'Decreased demand Depreciating'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 182:

'What will happen to the equilibrium price level and the equilibrium quantity of output if the aggregate supply curve shifts to the left? Assume a Classical aggregate supply curve.', A. 'The equilibrium price level increases while the equilibrium quantity of output decreases.', B. 'The equilibrium price level decreases while the equilibrium quantity of output increases.', C. 'The equilibrium price level and quantity of output increase.', D. 'The equilibrium price level remains unchanged while the equilibrium quantity of output increases.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 183:

'If Nation A can produce a good at lower opportunity cost than Nation B can produce the same good it is said that', A. 'Nation A has comparative advantage in the production of that good.', B. 'Nation B has comparative advantage in the production of that good.', C. 'Nation A has absolute advantage in the production of that good.', D. 'Nation B has absolute advantage in the production of that good.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 184:

'A stronger stock market is likely to cause which of the following changes in the consumption function and aggregate demand? CONSUMPTION FUNCTION AGGREGATE DEMAND', A. 'Increase Increase', B. 'No change No change', C. 'Increase No change', D. 'Increase Increase'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 185:

'Suppose the President plans to cut taxes for consumers and also plans to increase spending on the military. How does this affect real GDP and the price level?', A. 'GDP increases and the price level decreases.', B. 'GDP decreases and the price level increases.', C. 'GDP stays the same and the price level increases.', D. 'GDP increases and the price level increases.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 186:

'Which of the following statements is correct in regard to the federal budget deficit and the federal debt?', A. 'When the debt is negative the deficit decreases.', B. 'When the debt is positive the deficit decreases.', C. 'The deficit is the accumulation of past debts.', D. 'When the deficit is negative the debt decreases.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: C

Question 187:

'Suppose that elected officials and the central bank agree to combine fiscal and monetary policies to lessen the threat of inflation. Which of the following combinations would likely accomplish this goal?

FISCAL POLICY MONETARY POLICY', A. 'Decrease taxes Increase the reserve ratio', B. 'Decrease spending Buy government securities', C. 'Decrease taxes Sell government securities', D.

'Increase taxes Increase the discount ratio'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 188:

'Kevin wants shoes and grows turnips. Lisa wants turnips and makes sheet metal. Bob wants sheet metal and makes shoes. Which function of money will cater most directly to the situation at hand?', A.

'Store of value', B. 'Unit of account', C. 'Medium of exchange', D. 'Means of deferred payment'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 189:

'Economic growth is best described as', A. 'an increase in the production possibility curve and an increase in the natural rate of unemployment.', B. 'an increase in the production possibility curve and a leftward shift in long-run aggregate supply.', C. 'a decrease in the production possibility curve and a rightward shift in long-run aggregate supply.', D. 'an increase in the production possibility curve and a rightward shift in long-run aggregate supply.'

=====

Answer Option 1:

Final Answer: D

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Answer Option 2:

Final Answer: D

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Answer Option 3:

Final Answer: D

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Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: D

=====

Question 190:

'Suppose that households increase the demand for U.S. Treasury bonds as financial assets. Which of the following accurately describes changes in the money market the interest rate and the value of the dollar in foreign currency markets? MONEY MARKET INTEREST RATE DOLLAR', A. 'Increased supply Rising Appreciates', B. 'Increased demand Rising Appreciates', C. 'Decreased demand Falling Appreciates', D. 'Decreased demand Falling Depreciates'

=====

Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 191:

'Expansionary fiscal policy would best be prescribed to', A. 'eliminate a recessionary gap', B. 'reduce inflation', C. 'reduce the interest rate', D. 'eliminate an inflationary gap'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 192:

'Which of the following could cause the aggregate demand curve to shift to the left?', A. 'An increase in the money supply.', B. 'Contractionary demand management policies.', C. 'Expansionary demand management policies.', D. 'An increase in government spending.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 193:

'At the peak of a typical business cycle which of the following is likely the greatest threat to the macroeconomy?', A. 'Unemployment', B. 'Bankruptcy', C. 'Declining labor productivity', D. 'Inflation'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 194:

'Which of the following choices is most likely to create the greatest decrease in real GDP?', A. 'The government decreases spending matched with a decrease in taxes.', B. 'The government increases spending with no increase in taxes.', C. 'The government decreases spending with no change in taxes.', D. 'The government holds spending constant while increasing taxes.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 195:

'The CPI is calculated for each by', A. 'week; The Bureau of Economic Analysis', B. 'month; The Bureau of Economic Analysis', C. 'month; The Bureau of Labor Statistics', D. 'quarter; The Bureau of Economic Analysis'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 196:

'Which of the following creates the trade-off depicted by the Phillips curve?', A. 'A rightward shift in the aggregate supply curve', B. 'An increase in input costs that corresponds with an increase in unemployment', C. 'An increase in output that corresponds with a decrease in the price level', D. 'A rightward shift in the aggregate demand curve'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: D

=====

Question 197:

'What will happen to the equilibrium price level and the equilibrium quantity of output if consumer confidence increases? Assume an upward sloping aggregate supply curve.', A. 'The equilibrium price level increases while the equilibrium quantity of output decreases.', B. 'The equilibrium price level decreases while the equilibrium quantity of output increases.', C. 'The equilibrium price level and quantity of output increase.', D. 'The equilibrium price level and quantity of output decrease.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 198:

'You buy 100 shares in XYZ Corporation on the Internet and your broker charges you \$29.95.', A. 'This will increase the investment component of GDP and therefore overall GDP.', B. 'This has no effect on GDP.', C. 'This will increase GDP by \$29.95.', D. 'This will increase GDP by the cost of the shares minus \$29.95.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 199:

'Higher levels of consumer wealth and optimism would likely have which of the following changes in the market for loanable funds? MARKET FOR LOANABLE FUNDS INTEREST RATE', A. 'Increase in supply Rising', B. 'Increase in demand Buying Rising', C. 'Decrease in demand Falling', D. 'Decrease in supply Rising'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: D

=====

Question 200:

'Which of the following is not an addition to national income?', A. 'Wages', B. 'Salaries', C. 'Interest', D. 'Depreciation of physical capital'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: D

=====

Question 201:

'What will happen to the equilibrium price and the equilibrium quantity of good Z when the price of good X which is a close substitute for Z rises?', A. 'The equilibrium price will rise and the equilibrium quantity will fall.', B. 'The equilibrium price will fall and the equilibrium quantity will rise.', C. 'The equilibrium price and the equilibrium quantity will both rise.', D. 'The equilibrium price and the equilibrium quantity will both fall.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 202:

'Which of the following is a predictable advantage of expansionary monetary policy in a recession?', A. 'Decreases aggregate demand so that the price level falls.', B. 'Increases aggregate demand which increases real GDP and increases employment.', C. 'Increases unemployment but low prices negate this effect.', D. 'It keeps interest rates high which attracts foreign investment.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 203:

'What is the main contrast between the short-run and long-run Phillips curve?', A. 'In the short run there is a positive relationship between inflation and unemployment and in the long run the relationship is negative.', B. 'In the short run there is a positive relationship between inflation and unemployment and in the long run the relationship is constant.', C. 'In the short run there is a negative relationship between inflation and unemployment and in the long run the relationship is positive.', D. 'In the short run there is a negative relationship between inflation and unemployment and in the long run the relationship is constant.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 204:

'Which of the following likely results in a permanent increase in a nation's productive capacity?'. A. 'A decline in the birth rate', B. 'Declining adult literacy rates', C. 'Widespread relocation of manufacturing firms to low-wage nations', D. 'National program of child immunization'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 205:

'If the economy is experiencing a recession how will a plan to decrease taxes for consumers and increase spending on government purchases affect real gross domestic product (GDP) and the price level?'

A. 'real GDP rises and the price level falls.', B. 'real GDP falls and the price level rises.', C. 'real GDP rises and the price level rises.', D. 'real GDP falls and the price level falls.'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 206:

'Sue loses her job at a shoe factory when the economy falls into a recession. Sue is', A. 'frictionally unemployed.', B. 'cyclically unemployed.', C. 'seasonally unemployed.', D. 'structurally unemployed.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 207:

'The United States produces rice in a competitive market. With free trade the world price is lower than the domestic price. What must be true?', A. 'The United States begins to import rice to make up for a domestic shortage.', B. 'The United States begins to export rice to make up for a domestic shortage.', C. 'The United States begins to import rice to eliminate a domestic surplus.', D. 'The United States begins to export rice to eliminate a domestic surplus.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 208:

'Which of the following is NOT a major cost of inflation?', A. 'Resources will be misallocated.', B. 'Wealth will be redistributed.', C. 'Savings will be discouraged.', D. 'Real incomes will fall.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: D

Question 209:

'Long-run aggregate supply is most likely to increase as the result of', A. 'an increase in the real interest rate', B. 'increased investment in capital', C. 'an increase in aggregate demand', D. 'an increase in the unemployment rate'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 210:

'According to monetarist analysis a decrease in the money supply would', A. 'raise the price level and output in the economy.', B. 'lower the price level and output in the economy.', C. 'raise the price level in the economy.', D. 'lower the price level in the economy.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 211:

'There is a strong demand for welders in California but Bill an unemployed welder lives in New York. Bill is', A. 'frictionally unemployed.', B. 'cyclically unemployed.', C. 'structurally unemployed.', D. 'considered to be a hidden worker.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 212:

'If households are more optimistic about the future how would the consumption function be affected?', A. 'The marginal propensity to consume would increase increasing the slope of the consumption function.', B. 'The entire consumption function would shift downward.', C. 'The entire consumption function would shift upward.', D. 'The marginal propensity to consume would decrease increasing the slope of the consumption function.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 213:

'Which of the following is the most likely to be a deterrent to growth in the economy?', A. 'Spending on education and training', B. 'Increases in capital', C. 'Increases in the interest rate', D. 'Expenditures on research and development'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 214:

'An increase in the price level reduces total spending in the economy because I. consumers' incomes cannot go as far now that prices have risen. II. foreigners by less. III. higher prices result in higher interest rates which lower spending.', A. 'Only I is correct.', B. 'I and II are correct.', C. 'I and III are correct.', D. 'II and III are correct.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 215:

'Which of the following statements is true?', A. 'The velocity of money is equal to real GDP divided by the money supply.', B. 'Dollars earned today have more purchasing power than dollars earned a year from today.', C. 'The supply of loanable funds consists of investors.', D. 'The demand for loanable funds consists of savers.'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: D

=====

Question 216:

'A balance of trade surplus can be the result of', A. 'a loose monetary policy.', B. 'foreigners having no taste for this country's products.', C. 'an appreciation of the country's currency.', D. 'low levels of income relative to other nations.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: C

Question 217:

'If the economy experienced a decrease in real GDP and price level this could best be explained by', A. 'a decline in labor productivity.', B. 'a technological advance.', C. 'a decline in investment.', D. 'an uptick in net exports.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 218:

'If the consumer price index (CPI) increases by 2 percent and your nominal income increases by 8 percent your real income has approximately', A. 'increased by 4 percent.', B. 'decreased by 4 percent.', C. 'increased by 6 percent.', D. 'decreased by 6 percent.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 219:

'On a bank's balance sheet which of the following is considered a liability?', A. 'Required reserves', B. 'Excess reserves', C. 'Loans', D. 'Deposits'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 220:

'The standard of living is measured by', A. 'GDP.', B. 'GDP per capita.', C. 'Real GDP per capita.', D. 'Actual GIP per capita.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 221:

'If the marginal propensity to consume is 0.8 what is the largest total increase in GDP that can result from \$500 of new spending?', A. '\$400 ', B. '\$500 ', C. '\$625 ', D. '\$2,500 '

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

To determine the largest total increase in GDP, we need to multiply the new spending by the multiplier, which is the reciprocal of the marginal propensity to consume.

The multiplier is calculated as $1 / (1 - \text{marginal propensity to consume})$.

Given that the marginal propensity to consume is 0.8, the multiplier is $1 / (1 - 0.8) = 1 / 0.2 = 5$.

Therefore, the largest total increase in GDP that can result from \$500 of new spending is $\$500 * 5 = \$2,500$.

Final Answer: D

Question 222:

'Suppose that the unemployment rate falls from 6 percent to 5 percent and the inflation rate falls from 3 percent to 2 percent. Which of the following best explains these trends?', A. 'An increase in aggregate demand.', B. 'A decrease in both aggregate demand and aggregate supply.', C. 'An increase in both aggregate demand and aggregate supply.', D. 'An increase in aggregate supply.'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: D

=====

Question 223:

'If prices are expected to rise more slowly in the future', A. 'the Phillips curve will shift to the right', B. 'the actual rate of inflation will increase', C. 'the actual inflation rate will remain steady unless supply shocks set in', D. 'these expectations will become reality'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 224:

'If a bank has \$1000 in checking deposits and the bank is required to reserve \$250 what is the reserve ratio? How much does the bank have in excess reserves? What is the size of the money multiplier?', A.

'25% \$750 M = $\frac{1}{4}$ ', B. '75% \$250 M = 4', C. '25% \$750 M = 4', D. '75% \$750 M = $\frac{1}{4}$ '

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 225:

'As a result of automatic stabilizers during economic expansions government expenditures', A. 'and taxes fall', B. 'and taxes rise.', C. 'rise and taxes fall.', D. 'fall and taxes rise.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 226:

'Which of the following events has no effect on GDP?', A. 'You buy a 1957 Chevy from a friend.', B. 'The Department of Transportation repaves a road.', C. 'Your friends make a music CD that doesn't sell any copies.', D. 'A college buys computers.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 227:

'In the short run contractionary monetary policy causes aggregate demand to output to and the price level to Aggregate demand Output Price Level', A. 'Increases Increases Increases', B.

'Increases Increases Decreases', C. 'Decreases Decreases Increases', D. 'Decreases Decreases Decreases'

=====

Answer Option 1:

Final Answer: C

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Answer Option 2:

Final Answer: C

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Answer Option 3:

Final Answer: C

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Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: C

=====

Question 228:

'If the demand for dollars rises while the supply of dollars falls then the', A. 'dollar will appreciate.', B. 'dollar will depreciate.', C. 'exchange rates will be affected but not the value of the dollar.', D. 'exchange rate will not be affected.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 229:

'When products improve in quality the CPI will', A. 'automatically increase.', B. 'automatically decrease.', C. 'become negative.', D. 'overestimate the inflation rate.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 230:

'Which of the following is true when expansionary fiscal and expansionary monetary (easy money) policy are used at the same time?', A. 'Unemployment will increase.', B. 'Real GDP will decrease.', C. 'Interest rates will remain relatively constant.', D. 'Inflation will decrease dramatically.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 231:

'Suppose real GDP increases. We can conclude without a doubt that', A. 'prices are higher.', B. 'employment is higher.', C. 'production is higher.', D. 'prices and/or output is higher.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 232:

'It is a monetarist point of view that', A. 'monetary policy should be used to fine-tune the economy', B. 'crowding out is not a problem', C. 'the money supply should be increased steadily', D. 'the velocity of money is unstable'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 233:

'Labor productivity and economic growth increase if', A. 'a nation subsidizes education for all citizens.', B. 'a nation imposes tariffs and quotas on imported goods.', C. 'a nation removes penalties for firms that pollute natural resources.', D. 'a nation ignores societal barriers like discrimination.'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 234:

'Which of the following is a component of the M 1 measure of money supply?', A. 'Savings deposits', B. 'Gold bullion', C. 'Cash and coins', D. '30-year Treasury certificates'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 235:

'If nominal GDP equals \$5000 and real GDP equals \$4000 then the GDP Deflator equals', A. '125', B. '1.25', C. '800', D. '0.8'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 236:

'According to the quantity theory of money increasing the money supply serves to', A. 'stimulate short-run production and employment with very little long-run inflation.', B. 'increase short-run output but it is the source of long-run inflation.', C. 'lower the unemployment rate while also lowering the rate of inflation.', D. 'increase the nation's long-run capacity to produce.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 237:

'Which of the following would increase the aggregate demand function?', A. 'Higher levels of imported goods', B. 'Lower levels of consumer wealth', C. 'A higher real interest rate', D. 'Lower taxes on personal income'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 238:

'Classical economists believe', A. 'in the quantity theory of money—that both the velocity and the quantity of goods and services sold per period are fairly stable', B. 'there is a serious risk of a liquidity trap because the demand curve for money is relatively flat', C. 'that the government should make every effort to fine-tune the economy', D. 'that the aggregate supply curve is L-shaped'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 239:

'Which of the following will shift the demand curve for the Mexican peso to the left?', A. 'Speculation that the peso will increase in value', B. 'An increase in interest rates in Mexico relative to other countries', C. 'A lower rate of inflation in Mexico relative to other countries', D. 'A decrease in the international demand for Mexican-made textiles'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: D

=====

Question 240:

'Real GDP', A. 'is actual GDP as opposed to the estimate made by the BEA.', B. 'is also called current-dollar GDP.', C. 'is GDP adjusted for price changes.', D. 'is not calculated for the United States.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

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Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 241:

'Which of the following is a predictable consequence of import quotas?', A. 'Increased competition and lower consumer prices', B. 'Increased government tax revenue from imported goods', C. 'Rising net exports and a rightward shift in aggregate supply', D. 'Higher consumer prices and a misallocation of resources away from efficient producers'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: D

=====

Question 242:

The "crowding-out" effect is the result of, A. 'decreasing interest rates from contractionary fiscal policy.', B. 'increasing interest rates from expansionary fiscal policy.', C. 'increasing interest rates from expansionary monetary policy.', D. 'increasing unemployment rates from expansionary monetary policy.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 243:

'Suppose a nation is experiencing an annual budget surplus and uses some of this surplus to pay down part of the national debt. One potential side effect of this policy would be', A. 'increase interest rates and throw the economy into a recession.', B. 'increase interest rates and depreciate the nation's currency.', C. 'decrease interest rates and risk an inflationary period.', D. 'decrease interest rates and throw the economy into a recession.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 244:

'Which of the following lessens the impact of expansionary fiscal policy?', A. 'An increase in the marginal propensity to consume.', B. 'Lower interest rates that cause a decrease in net exports.', C. 'Higher interest rates that cause an increase in net exports.', D. 'Higher interest rates that decrease private investment.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: D

Question 245:

'Which of the following is an example of contractionary monetary policy?', A. 'The Fed lowers the reserve ratio.', B. 'The Fed lowers the discount rate.', C. 'The Fed increases taxes on household income.', D.

'The Fed sells Treasury securities to commercial banks.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 246:

'When we observe an unplanned decrease in inventories we can expect', A. 'prices to begin to fall.', B. 'output to begin to rise.', C. 'saving to begin to fall.', D. 'output to begin to fall.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 247:

'A contractionary monetary policy will cause the nominal interest rate aggregate demand output and the price level to change in which of the following ways? NOMINAL INTEREST RATE AGGREGATE DEMAND OUTPUT PRICE LEVEL', A. 'Decrease Increase Increase Increase', B. 'Decrease Decrease Decrease Increase', C. 'Increase Decrease Decrease Increase', D. 'Increase Decrease Decrease Decrease'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 248:

'A decrease in real investment stemming from higher interest rates due to government purchases is most commonly called', A. 'crowding out', B. 'zero policy effectiveness', C. 'the Laffer effect', D. 'fiscal defeat'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 249:

'If the standard of living increases we can conclude that', A. 'output must have increased.', B. 'population must have increased.', C. 'output and population must have increased.', D. 'output must have increased proportionally more than population.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 250:

'The cabbages you grow in your summer garden are', A. 'counted in GDP under C.', B. 'counted in GDP under I.', C. 'counted in GDP but not NDP.', D. 'not counted in GDP.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 251:

'Which of the following might worsen a nation's trade deficit?', A. 'Lower wages relative to other nations.', B. 'Lower taxes on corporate profits relative to other nations.', C. 'A higher interest rate on financial assets relative to other nations.', D. 'A higher rate of inflation relative to other nations.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 252:

'If prices rise in the United States relative to other countries then', A. 'the value of the dollar will tend to appreciate.', B. 'the value of the dollar will tend to depreciate.', C. 'exchange rates will be affected but not the value of the dollar.', D. 'the exchange rate will not be affected.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: B

Question 253:

'Which of the following is true about the consumption function?', A. 'The slope is equal to the MPC.', B. 'The slope is equal to the MPS.', C. 'The slope is equal to $MPC + MPS$.' D. 'It shifts upward when consumers are more pessimistic about the future.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 254:

'Recessions', A. 'are a thing of the past.', B. 'are very severe depressions.', C. 'are marked by a sustained decline in output.', D. 'are regular occurrences in capitalist economies.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 255:

'When the value of the U.S. dollar appreciates relative to other currencies which of the following is the most likely to occur?', A. 'Imports into the United States will decrease.', B. 'Exports from the United States will increase.', C. 'U.S. residents will take more vacations in foreign countries.', D. 'More foreign visitors will travel to the United States.'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 256:

'According to Keynesian analysis the Great Depression was caused by', A. 'a lack of spending.', B. 'a sharp rise in the marginal propensity to consume.', C. 'too much investment.', D. 'too much foreign influence on the economy.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 257:

'An expansionary monetary policy tends to', A. 'improve the balance of trade.', B. 'have no effect on imports.', C. 'worsen the balance of trade.', D. 'have no effect on exports.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 258:

'If a nation is operating at full employment and the central bank engages in contractionary monetary policy the nation can expect the interest rate the purchases of new homes and the unemployment rate to change in which of the following ways? INTEREST RATES NEW HOMES UNEMPLOYMENT RATE', A. 'Decrease Increase Increase', B. 'Decrease Decrease Decrease', C. 'Increase Decrease Decrease', D. 'Increase Decrease Increase'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: C

Question 259:

'Which of the following statements would "supply-side" economists disagree with?', A. 'Tax changes cause shifts in aggregate supply that work against shifts in aggregate demand thus reducing the effect of the tax change on real GDP.', B. 'A tax cut is likely to increase aggregate supply by boosting saving investment and thus capital accumulation.', C. 'A tax increase is likely to decrease aggregate supply by decreasing after-tax wages and thus providing disincentives to work.', D. 'A tax cut is likely to increase aggregate supply by providing greater rewards for risk taking.'

=====

Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 260:

'Suppose the reserve ratio is 10 percent and the Fed buys \$1 million in Treasury securities from commercial banks. If money demand is perfectly elastic which of the following is likely to occur?', A. 'Money supply increases by \$10 million lowering the interest rate and increasing AD.', B. 'Money supply remains constant the interest rate does not fall and AD does not increase.', C. 'Money supply increases by \$10 million the interest rate does not fall and AD does not increase.', D. 'Money supply decreases by \$10 million raising the interest rate and decreasing AD.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 261:

'Assuming there is no statistical discrepancy a trade surplus must be offset elsewhere in the', A. 'current-account balance only', B. 'financial-account balance only', C. 'merchandise balance of trade only', D.

'current-account or financial-account only'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 262:

'Which of the following is most likely to produce stronger economic growth over time?', A. 'More rapid consumption of natural resources.', B. 'Higher adult illiteracy rates.', C. 'A falling stock of capital goods.', D. 'Investment tax credits.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 263:

'The secondary market for government securities is', A. 'where used items are traded.', B. 'located in smaller cities.', C. 'where the government borrows money.', D. 'where government securities that have already been issued may be bought or sold.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 264:

'An important assumption underlying monetarism is that', A. 'the marginal propensity to consume is constant.', B. 'the money supply is continuous.', C. 'the exchange rate is fixed.', D. 'the velocity of money is stable.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 265:

'Which of the following could limit the ability of a central bank to conduct expansionary monetary policy?', A. 'Money demand is nearly perfectly elastic.', B. 'Investment demand is nearly perfectly elastic.', C. 'Banks make loans with all excess reserves.', D. 'Households carry very little cash holding their money in checking and saving deposits.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

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Question 266:

'Fiscal policy refers to', A. 'increases in taxes to fight recessions.', B. 'decreases in taxes to fight inflations.', C. 'changes in government spending and taxes to fight recessions or inflations.', D. 'federal deficits.'

=====

Answer Option 1:

Final Answer: C

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Answer Option 2:

Final Answer: C

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Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 267:

'If real GDP per capita was \$10000 in 1990 and \$15000 in 2000 then the amount of economic growth is', A. '0.5 percent.', B. '5.0 percent.', C. '50 percent.', D. '3.3 percent.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 268:

'GDP is calculated for each by', A. 'quarter; The Bureau of Economic Analysis', B. 'week; The Bureau of Economic Analysis', C. 'month; The Bureau of Economic Analysis', D. 'month; The Bureau of Labor Statistics'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: C

Question 269:

'A balance of payments deficit means that a country has', A. 'imported more than it has exported.', B. 'exported more than it has imported.', C. 'taken in more money than it has sent abroad.', D. 'lowered its official reserve position.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 270:

'In a given period the average price level in the country of Sherwood tripled and Robin's income increased from \$30000 to \$60000. What happened to Robin's nominal and real income? Nominal Income Real Income', A. '(A) Increased Decreased', B. '(B) Increased Increased', C. '(C) Decreased Decreased', D. '(D) Increased Stayed the same'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 271:

'The economy is in a deep recession. Given this economic situation which of the following statements about monetary policy is accurate?', A. 'Expansionary policy would only worsen the recession.', B.

'Expansionary policy greatly increases aggregate demand if investment is sensitive to changes in the interest rate.', C. 'Contractionary policy is the appropriate stimulus for investment and consumption.', D. 'If the demand for money is perfectly elastic expansionary monetary policy might be quite effective.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 272:

'If the government of country Z increases spending by \$12 million dollars and raises tax collections by the same amount then what will be the overall impact of these moves on real GDP in country Z?', A.

'Real GDP will increase by \$6 million.', B. 'Real GDP will decrease by \$6 million.', C. 'Real GDP will remain unchanged.', D. 'Real GDP will increase by \$12 million.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 273:

'Suppose the price level in the United States has risen in the past year but production of goods and services has remained constant. Based on this information which of the following is true? NOMINAL GDP

REAL GDP', A. 'Increased Increased', B. 'No change Decreased', C. 'Decreased Decreased', D. 'Increased Decreased'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: D

=====

Question 274:

'Imagine an economy that produces only two goods cheese and crackers. Calculate GDP for this economy if cheese retails for \$3 a pound and 10 pounds are produced while crackers sell for \$2 a pound and 20 pounds are produced.', A. '\$35 ', B. '\$1,200 ', C. '\$70 ', D. '\$150 '

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

To calculate the GDP, we need to find the total value of all final goods and services produced in the economy.

For cheese: 10 pounds * \$3/pound = \$30

For crackers: 20 pounds * \$2/pound = \$40

Total GDP = \$30 + \$40 = \$70

Final Answer: C

=====

Answer Option 6:

To calculate the GDP for this economy, we need to find the total value of all final goods and services produced.

The value of cheese produced is 10 pounds x \$3/pound = \$30.

The value of crackers produced is 20 pounds x \$2/pound = \$40.

Thus, the GDP for this economy is \$30 + \$40 = \$70.

Final Answer: C

=====

Answer Option 7:

To calculate the GDP for this economy, we need to find the total value of all final goods and services produced.

The value of cheese produced is 10 pounds * \$3 per pound = \$30.

The value of crackers produced is 20 pounds * \$2 per pound = \$40.

Therefore, the GDP for this economy is \$30 + \$40 = \$70.

Final Answer: C

=====

Answer Option 8:

To calculate the GDP for this economy, we need to multiply the quantity produced by their corresponding prices and sum them up.

The value of cheese produced is: 10 pounds * \$3/pound = \$30

The value of crackers produced is: 20 pounds * \$2/pound = \$40

Therefore, the GDP for this economy is: \$30 + \$40 = \$70

Final Answer: C

=====

Answer Option 9:

To calculate GDP, we need to multiply the quantity of each good produced by its respective price, and then sum them up.

For cheese:

Quantity: 10 pounds

Price: \$3 per pound

Cheese contribution to GDP: 10 pounds * \$3/pound = \$30

For crackers:

Quantity: 20 pounds

Price: \$2 per pound

Cracker contribution to GDP: 20 pounds * \$2/pound = \$40

Total GDP = Cheese contribution + Cracker contribution = \$30 + \$40 = \$70

Final Answer: C

Question 275:

'In the balance of payments the trade balance', A. 'is ignored.', B. 'appears in the capital account.', C. 'appears in the current account', D. 'is included in the official reserves.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 276:

'In the last 20 years firms that produce cameras have begun to produce fewer 35-mm cameras and more digital cameras. This trend is an example of', A. 'how central planners dictate which cameras are produced.', B. 'the market system answering the question of "how" cameras should be produced.', C. 'the market system answering the question of "what" cameras should be produced.', D. 'the market system answering the question of "who" should consume the cameras that are produced.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 277:

'Which of the following events most likely increases real GDP?', A. 'An increase in the real rate of interest', B. 'An increase in taxes', C. 'A decrease in net exports', D. 'An increase in government spending'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 278:

'What will happen to the equilibrium price level and the equilibrium quantity of output if a major earthquake destroys much of the plant and equipment on the West Coast? Assume an upward sloping aggregate supply curve.', A. 'The equilibrium price level increases while the equilibrium quantity of output decreases.', B. 'The equilibrium price level decreases while the equilibrium quantity of output increases.', C. 'The equilibrium price level and quantity of output increase.', D. 'The equilibrium price level and quantity of output decrease.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 279:

'The Federal Reserve is', A. 'part of the legislative branch of government.', B. 'the monetary authority for banks but not other depository institutions.', C. 'part of the judicial branch of government.', D. 'in control of the money supply.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 280:

'In a private closed economy which of the following statements is true?', A. 'Household saving can never be negative.', B. 'Investment is always greater than savings.', C. 'The economy is in equilibrium when consumption equals saving.', D. 'Saving is equal to zero when consumption equals disposable income.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 281:

'Imagine someone who is not looking for work because they are embarrassed in the interview process when their inability to read is revealed. However this person would take just about any job that was offered. According to the Bureau of Labor Statistics this person is', A. 'in the labor force and unemployed.', B. 'in the labor force and employed.', C. 'not in the labor force.', D. 'not in the labor force but counted as unemployed.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 282:

'If current real GDP is \$5000 and full employment real GDP is at \$4000 which of the following combinations of policies is the most likely to have brought the economy to this point?', A. 'A decrease in taxes and a lower discount rate', B. 'An increase in government spending and an increase in taxes', C. 'A decrease in taxes and selling bonds in an open market operation', D. 'An increase in government spending and an increase in the discount rate'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 283:

'Which of the following will promote economic growth?', A. 'Government regulation.', B. 'A new production technique that lowers costs.', C. 'Increased taxes.', D. 'More strict pollution standards for corporations.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 284:

'According to experts the CPI', A. 'overstates increases in the cost of living.', B. 'understates increases in the cost of living.', C. 'accurately estimates changes in the cost of living.', D. 'could over- or underestimate changes depending on the season.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 285:

'Which of the following are harmed by unexpectedly high rates of inflation?', A. 'Borrowers repaying a long-term loan at a fixed interest rate.', B. 'Savers who have put their money in long-term assets that pay a fixed interest rate.', C. 'Workers who have negotiated cost-of-living raises into their contracts.', D. 'Renters of apartments who have signed a lease that holds rent constant for two years.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 286:

'Prices in capitalist economies are', A. 'unfair.', B. 'determined by supply and demand.', C. 'determined in most cases by the federal government.', D. 'a reflection of our basic values.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 287:

'Which of the following will cause the aggregate demand curve to shift to the left?', A. 'Expectations of surpluses of goods in the future', B. 'A decrease in income taxes', C. 'An increase in government spending', D. 'An increase in foreign income'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 288:

'According to Keynesian economists', A. 'the investment demand curve is relatively elastic', B. 'fiscal policy is more effective than monetary policy', C. 'the economy is inherently stable', D. 'inadequate supply is largely to blame for periods of stagnation'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 289:

'If the reserve ratio is 10 percent and a new customer deposits \$500 what is the maximum amount of money created?', A. '\$500 ', B. '\$4,500 ', C. '\$5,000 ', D. '\$50 '

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: B

=====

Question 290:

'Which of the following would NOT shift the aggregate supply curve?', A. 'An increase in the price level.', B. 'A decrease in the amount of resources in the economy.', C. 'An increase in the amount of resources in the economy.', D. 'An increase in technology.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 291:

'Which of the following is equal to one?', A. 'The elasticity of the long-run aggregate supply curve', B. 'The spending (or expenditure) multiplier', C. 'The money (or banking) multiplier', D. 'The balanced budget multiplier'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 292:

'If in a given year the government collects more money in net taxes than it spends there would exist', A. 'a current account deficit.', B. 'a budget surplus.', C. 'a trade surplus.', D. 'a budget deficit.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 293:

'Which of the following policies might the Fed adopt to counter a recession?', A. 'A decrease in taxes', B. 'An increase in government spending', C. 'An increase in the discount rate', D. 'The purchase of bonds'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 294:

'With a managed float', A. 'countries occasionally intervene in foreign exchange markets.', B. 'countries never have to intervene in foreign exchange markets.', C. 'countries must constantly intervene to maintain the value of their currencies.', D. 'exchange rates are fixed.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 295:

'If nominal GDP equals \$6000 and the GDP deflator equals 200 then real GDP equals', A. '\$30 ', B. '\$3,000 ', C. '\$12,000 ', D. '\$1,200 '

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 296:

'If 200 computers with a retail value of \$100000 are domestically produced in 2005 but not sold until 2006 then GDP in 2005 is', A. '\$100000 higher because of the computers.', B. '200 higher because of the computers.', C. 'unaffected until 2006 when the computers are sold and the figure for GDP in 2005 is revised.', D. 'higher by the wholesale value of the computers.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 297:

'In order to go from national income to GDP one must', A. 'add depreciation expenses', B. 'add indirect taxes', C. 'subtract subsidies', D. 'all of the above'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 298:

'The appropriate fiscal policy to remedy inflation calls for', A. 'the federal government to run a deficit.', B. 'the federal government to run a surplus.', C. 'increased taxes and government spending.', D. 'decreased government spending and taxes.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 299:

'The potential amount of money created after the Fed increases bank reserves will be diminished if', A. 'the public prefers to hold less cash.', B. 'the velocity of money falls.', C. 'depository institutions decide to hold more excess reserves.', D. 'the marginal propensity to consume falls.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 300:

'In a command economy', A. 'the market dictates the answers to the fundamental economic questions.', B. 'competition helps answer the fundamental economic questions.', C. 'state and local governments respond to the fundamental economic questions.', D. 'the central government dictates the answers to the fundamental economic questions.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 301:

'Total spending', A. 'is all of the spending done by all of the households in a nation.', B. 'slopes downward because less spending occurs when prices rise.', C. 'slopes downward because less spending occurs when income falls.', D. 'slopes upward because more household spending occurs when income rises.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: D

Question 302:

'The velocity of money', A. 'cannot be calculated for an actual economy.', B. 'is how fast money can be transferred.', C. 'is required to calculate the money multiplier.', D. 'is the number of times a typical dollar is used to make a purchase in a year.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 303:

'There is relatively more crowding out as the result of expansionary fiscal policy when', A. 'expansionary monetary policy accompanies the fiscal policy', B. 'the investment demand curve is inelastic', C. 'government spending improves profit expectations among businesses', D. 'the investment demand curve is elastic'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 304:

"Flash" estimates of GDP; A. 'are subject to revision.', B. 'do not require revision.', C. 'are available after a thirty-day lag.', D. 'both (A) and (C)'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: A

=====

Question 305:

'Which transactions will not be counted in GDP?'; A. 'Pirated DVDs entering the nation illegally', B. 'The services of a physician', C. 'A retiree's social security benefits', D. 'A and C'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 306:

'If the CPI goes to 150 from 120 then prices have', A. 'risen 20 percent.', B. 'risen 25 percent.', C. 'fallen 30 percent.', D. 'risen 30 percent.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: D

Question 307:

The short-run Phillips curve depicts the ____ relationship between ____ and ____.'. A. 'positive price level interest rate', B. 'negative interest rate private investment', C. 'negative the inflation rate the unemployment rate', D. 'positive price level real GDP'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 308:

'If the demand for our exports rises while our tastes for foreign goods falls off then', A. 'the value of the dollar will tend to appreciate.', B. 'the value of the dollar will tend to depreciate.', C. 'exchange rates will be affected but not the value of the dollar.', D. 'the exchange rate will not be affected.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 309:

'Having a fractional reserve banking system means that', A. 'no single loan can be larger than 20 percent of the bank's holdings', B. 'the central bank reserves the right to audit any bank at any time', C. 'the central bank holds a certain fraction of GDP on reserve at all times', D. 'a bank cannot lend out all of its deposits'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 310:

'As the Japanese economy expands in what ways do U.S. net exports the values of the dollar and the yen change? U.S. NET EXPORTS VALUE OF DOLLAR VALUE OF YEN', A. 'Decrease Increase
Increase', B. 'Increase Decrease Increase', C. 'Decrease Decrease Increase', D. 'Increase Increase Decrease'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 311:

'Droughts technical glitches and restrictions on the use of resources can all result in', A. 'a vertical Phillips curve', B. 'supply shocks', C. 'structural shocks', D. 'demand-pull inflation'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 312:

The GDP Deflator I. is used to calculate inflation rates. II. is an alternative to the CPI. III. is more accurate than the CPI.', A. 'Only I is true.', B. 'I and II are true.', C. 'I and III are true.', D. 'II and III are true.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 313:

'Which of the following would be classified under C when calculating GDP?', A. 'A homeowner mowing her own lawn', B. '\$50.00 spent eating out at a restaurant', C. 'The purchase of new computer software by an accounting firm', D. 'Flour purchased by a baker to make donuts'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: B

Question 314:

The aggregate demand curve is', A. 'a horizontal summation of market demand curves', B. 'a horizontal summation of firm demand curves', C. 'a simple aggregation of demand curves for individual goods', D. 'not found by adding product demand curves horizontally or vertically'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 315:

'Suppose the reserve ratio is 0.1. If a bank gets \$200 in deposits what is the maximum amount it can lend?', A. '\$20 ', B. '\$180 ', C. '\$2,000 ', D. 'Greater than \$200 but less than \$500'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 316:

'Corn is exchanged in a competitive market. Which of the following definitely increases the equilibrium price of corn?', A. 'Both supply and demand shift rightward.', B. 'Both supply and demand shift leftward.', C. 'Supply shifts to the right; demand shifts to the left.', D. 'Supply shifts to the left; demand shifts to the right.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: C

Question 317:

'Which of the following will have an effect on GDP?', A. 'You lose \$50 betting with a friend.', B. 'You fix your brother's car without buying any new parts.', C. 'Your father's firm makes computers and exports them to China.', D. 'You buy 1000 shares of stock in a corporation.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 318:

'Which of the following is a tool used by the Fed to increase the money supply?', A. 'A lower discount rate.', B. 'Selling Treasury securities to commercial banks.', C. 'A higher reserve ratio.', D. 'A lower personal income tax rate.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 319:

'Suppose yesterday the euro was trading on the foreign exchange market at \$1.36 U.S. and today it is trading at \$1.40 U.S. Which of the following is true?', A. 'The U.S. dollar has appreciated.', B. 'The euro has depreciated.', C. 'Interest rates in the United States have decreased.', D. 'The euro has appreciated.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: D

Question 320:

'The government has just lowered personal income taxes. Which of the following best describes the effects that this policy has on the economy?', A. 'Higher disposable income higher consumption higher real GDP lower unemployment', B. 'Higher disposable income lower consumption higher real GDP lower unemployment', C. 'Lower disposable income higher consumption higher real GDP lower unemployment', D. 'Lower disposable income lower consumption lower real GDP higher unemployment'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 321:

'Suppose you observe an economy where prices are falling and real GDP is rising. This may have been caused by', A. 'stagflation.', B. 'an advance in technology.', C. 'an increase in government spending.',

D. 'a decrease in government spending.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 322:

'An import quota on foreign automobiles is expected to', A. 'increase domestic efficiency and protect domestic producers at the expense of foreign producers.', B. 'decrease the price of automobiles and protect domestic consumers at the expense of foreign producers.', C. 'increase the price of automobiles and protect domestic producers at the expense of consumers.', D. 'increase the price of automobiles and protect domestic consumers at the expense of domestic producers.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 323:

'Ceteris paribus', A. 'is Greek for "never changing."', B. 'means anything can change at any time.', C. 'is Latin for "everything else remains constant."', D. 'means "when in equilibrium."'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 324:

'Suppose taxes are cut in an economy that is in equilibrium at full employment. In the long run the tax cut will', A. 'raise real output and raise the price level.', B. 'lower real output and raise the price level.', C. 'raise real output and lower the price level.', D. 'raise the price level.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 325:

'An increase in corporate optimism will have which of the following effects in the market for loanable funds?', A. 'An increase in supply lowering the interest rate.', B. 'A decrease in demand increasing the interest rate.', C. 'An increase in both supply and demand and an ambiguous change in interest rates.', D. 'An increase in demand increasing the interest rate.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 326:

'Suppose the real interest rate in a country rises. What can be expected to happen to the demand for this nation's currency and therefore the value of its currency and net exports? Demand for currency

Value of currency Net exports', A. 'Decreases Appreciate Decreases ', B. 'Decreases Depreciate Decreases', C. 'Decreases Depreciate Increases', D. 'Increases

Appreciate Increases'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 327:

'Lowering reserve requirements would', A. 'force banks to hold more reserves and make more loans.', B. 'allow banks to make more loans and buy more investments thus decreasing the money supply.', C. 'allow banks to make more loans and buy more investments thus increasing the money supply.', D. 'allow banks more freedom to merge and acquire other businesses.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 328:

'How would fiscal and monetary policymakers combine spending tax and monetary policy to fight a recessionary gap while avoiding large budget deficits? SPENDING POLICY TAX POLICY MONETARY POLICY', A. 'Higher spending Lower taxes Sell Treasury securities', B. 'Lower spending Higher taxes Buy Treasury securities', C. 'Lower spending Lower taxes Increasing the reserve ratio', D. 'Higher spending Higher taxes Lowering the discount rate'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 329:

'You are working at a supermarket bagging groceries but you are unhappy about your wage so you quit and begin looking for a new job at a competing grocery store. What type of unemployment is this?', A.

'Cyclical', B. 'Structural', C. 'Seasonal', D. 'Frictional'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 330:

'Stagflation is the result of', A. 'a leftward shift in the aggregate supply curve.', B. 'a leftward shift in the aggregate demand curve.', C. 'a leftward shift in both the aggregate supply and aggregate demand curves.', D. 'a rightward shift in the aggregate supply curve.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: C

Question 331:

'If \$100 of new autonomous private investment were added to an economy with a marginal propensity to consume of .90 by how much would aggregate demand shift to the right?', A. '\$190 ', B. '\$900 ', C. '\$1,000 ', D. '\$1,900 '

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 332:

'What will happen to the equilibrium price level and the equilibrium quantity of output if the aggregate demand curve shifts to the right? Assume a Classical aggregate supply curve.', A. 'The equilibrium price level increases while the equilibrium quantity of output decreases.', B. 'The equilibrium price level decreases while the equilibrium quantity of output increases.', C. 'The equilibrium price level and quantity of output increase.', D. 'The equilibrium price level increases while the equilibrium quantity of output remains unchanged.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 333:

'If the world price of copper exceeds the domestic (U.S.) price of copper we would expect', A. 'the United States to be a net exporter of copper.', B. 'the United States to impose a tariff on imported copper to protect domestic producers.', C. 'the demand for U.S. copper to fall.', D. 'a growing trade deficit in the United States in goods and services.'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 334:

'Which of the following persons is considered to be unemployed? I. Mary who has quit her job to look for another. II. John who fulfilled his dream by retiring from work at age 45. III. Diane who works part-time but would like to work full-time.', A. 'I only', B. 'II only', C. 'III only', D. 'I and III'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 335:

'Which choice produces a faster rate of economic growth for the United States?', A. 'Institution of higher tariffs on imported goods', B. 'More investment in capital infrastructure and less consumption of nondurable goods and services', C. 'Elimination of mandatory school attendance laws', D. 'Annual limits on the number of foreigners immigrating into the United States'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 336:

'Which of the following would reduce economic growth?', A. 'A decline in investment.', B. 'An increase in immigration from abroad.', C. 'A technological advance.', D. 'An increase in the labor force.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 337:

'An increase in the price level and a decrease in real GDP in the short run could be the result of', A. 'a prolonged period of very bad weather.', B. 'a decrease in the money supply.', C. 'a decrease in consumer confidence.', D. 'an increase in consumer confidence.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: C

Question 338:

'Inflation', A. 'encourages households to save more.', B. 'does not affect savings in the economy.', C. 'forces households to save more.', D. 'discourages savings.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 339:

'Which of the following fiscal policy combinations would be most likely to slowly increase real GDP without putting tremendous upward pressure on the price level?', A. 'Increase government spending with a matching decrease in taxes.', B. 'Decrease government spending with a matching increase in taxes.', C. 'Increase government spending with no change in taxes.', D. 'Increase taxes with a matching increase in government spending.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: A

=====

Question 340:

'Suppose the Japanese economy is suffering a prolonged recession. Lower Japanese household incomes will affect U.S. exports to Japan demand for the dollar and the value of the dollar relative to the yen in which of the following ways? EXPORTS TO JAPAN DEMAND FOR \$ VALUE OF \$, A. 'Decrease Decrease Decrease', B. 'Decrease Decrease Increase', C. 'Decrease Increase Decrease', D. 'Increase Decrease Decrease'

=====

Answer Option 1:
Final Answer: B

Answer Option 2:
Final Answer: A

Answer Option 3:
Final Answer: A

Answer Option 4:
Final Answer: A

Answer Option 5:
Final Answer: A

Answer Option 6:
Final Answer: A

Answer Option 7:
Final Answer: A

Answer Option 8:
Final Answer: A

Answer Option 9:
Final Answer: A

Question 341:

'Which of the following is an example of expansionary monetary policy for the Federal Reserve?', A. 'Increasing the discount rate', B. 'Increasing the reserve ratio', C. 'Buying Treasury securities from commercial banks', D. 'Lowering income taxes'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 342:

'What is the main difference between the short-run and long-run Phillips curve?', A. 'The short-run Phillips curve is downward sloping and the long-run Phillips curve is upward sloping.', B. 'The short-run Phillips curve is upward sloping and the long-run Phillips curve is vertical.', C. 'The short-run Phillips curve is horizontal and the long-run Phillips curve is upward sloping.', D. 'The short-run Phillips curve is downward sloping and the long-run Phillips curve is vertical.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

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Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 343:

'According to Classical economic analysis in the long run an increase in the money supply results in', A. 'a proportional increase in the quantity of output.', B. 'stagflation.', C. 'an increase in the real rate of interest.', D. 'a proportional increase in the price level.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 344:

'An increase in the federal deficit may affect the demand for loan funds and therefore the real interest rate and investment spending. Which of the following gives the correct direction of these effects? Demand for loanable funds Real interest rate Investment spending', A. 'Increases Increases Increases', B. 'Decreases Decreases Decreases', C. 'Decreases Decreases Increases', D. 'Increases Increases Decreases'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 345:

'Which of the following is true of a typical contraction of the business cycle?', A. 'Consumption is falling but household wealth is rising.', B. 'Consumption is increasing.', C. 'Private investment is rising.', D. 'Employment and inflation are low.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 346:

'If interest rates rise relatively more in country A than in country B then the value of country A's currency will', A. 'appreciate.', B. 'depreciate.', C. 'remain unchanged.', D. 'change indeterminately.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: A

Question 347:

'For a given level of government spending the federal government usually experiences a budget____during economic____and a budget ____during economic_____', A. 'deficit recession surplus expansion', B. 'surplus recession deficit expansion', C. 'deficit expansion surplus recession', D. 'surplus recession surplus expansion'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 348:

'A decrease in the price of a particular product will result in', A. 'an increase in demand.', B. 'a decrease in demand.', C. 'an increase in the quantity demanded.', D. 'a decrease in the quantity demanded.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 349:

'Which of the following would likely slow a nation's economic growth?', A. 'Guaranteed low-interest loans for college students', B. 'Removal of a tax on income earned on saving', C. 'Removal of the investment tax credit', D. 'More research grants given to medical schools'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 350:

'Suppose the economy is in long-run equilibrium when a temporary expansionary supply shock is felt in the economy. This changes the short-run Phillips curve the short-run unemployment rate and the long-run unemployment rate in which of the following ways? SHORT-RUN PHILLIPS CURVE SHORT-RUN UNEMPLOYMENT LONG-RUN UNEMPLOYMENT', A. 'Shifts down Falls Rises', B. 'Shifts up Rises Falls', C. 'Shifts down Falls Falls', D. 'Shifts up Rises Rises'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: C

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Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 351:

'Given the table below which statement is true? Labor hours needed to produce a unit of: Country Wine Cheese France 40 80 Belgium 15 60', A. 'France has the absolute advantage in both products.', B. 'France should specialize in and export wine while Belgium should specialize in and export cheese.', C. 'France has the comparative advantage in cheese.', D. 'France has the absolute advantage in cheese.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 352:

'The natural rate of unemployment', A. 'includes structural and frictional unemployment', B. 'includes cyclical and frictional unemployment', C. 'includes structural and cyclical unemployment', D. 'includes structural frictional and cyclical unemployment'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 353:

'When nominal GDP is rising we would expect money demand to', A. 'increase as consumers demand more money as a financial asset increasing the interest rate.', B. 'increase as consumers demand more money for transactions increasing the interest rate.', C. 'decrease as the purchasing power of the dollar is falling decreasing the interest rate.', D. 'decrease as consumers demand more money for transactions increasing the interest rate.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 354:

'GDP measures a country's level of I. production. II. stability. III. income.', A. 'I only.', B. 'II only.', C. 'III only.', D. 'I and III.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 355:

'When the FED lowers the discount rate its intention is to', A. 'give depository institutions a break on their borrowings.', B. 'signal participants in financial markets that a recession is coming.', C. 'signal participants in financial markets that an inflationary period is coming.', D. 'encourage borrowing by depository institutions so that the money supply may expand.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 356:

The size of the labor force in Japan is expected to shrink beginning in 2010 as a large segment of its population retires. This will, A. 'affect labor productivity more than economic growth.', B. 'affect economic growth more than labor productivity.', C. 'not have a major effect on economic growth or labor productivity.', D. 'affect labor productivity and economic growth equally.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 357:

'If firms that make a particular product expect its price will be lower in the future', A. 'this will cause the supply of the product to increase right now.', B. 'this will cause the supply of the product to decrease right now.', C. 'this will have no effect on the amount of the product supplied right now.', D. 'this will have no effect on the supply of the product now or later.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 358:

'Excess reserves in the banking system will increase if', A. 'the reserve ratio is increased.', B. 'the checking deposits increase.', C. 'the discount rate is increased.', D. 'the Fed sells Treasury securities to commercial banks.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: B

Question 359:

'Which of the following statements is true of production possibility curves and trade between nations?', A. 'Nations specialize and trade based on absolute advantage in production.', B. 'Free trade allows each nation to consume beyond the production possibility curve.', C. 'The flow of goods and services is based on the principle of absolute advantage.', D. 'Nations can consume at points beyond the production possibility curve by protecting domestic industries from free trade.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 360:

'If the economy is in disequilibrium where the price level is such that the aggregate quantity of products demanded exceeds the aggregate quantity of products supplied then', A. 'prices will be driven upward to restore equilibrium.', B. 'supply will increase.', C. 'demand will decrease.', D. 'supply will decrease.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 361:

'In a long period of economic expansion the tax revenue collected ____ and the amount spent on welfare programs ____ creating a budget ____.'; A. 'increases decreases surplus', B. 'increases decreases deficit', C. 'decreases decreases surplus', D. 'decreases increases deficit'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

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Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 362:

'Which of the following will result in economic growth?', A. 'A decrease in the unemployment rate.', B. 'An increase in the unemployment rate.', C. 'An increase in the size of the labor force.', D. 'A decrease in the population.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 363:

'According to Classical economic theory the equation of exchange demonstrates the neutrality of money only if the', A. 'velocity of money supply and the quantity of output are constant', B. 'money supply and its velocity are equal.', C. 'velocity of money supply equals the speed of transactions.', D. 'money supply and its velocity are inversely related.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 364:

'Which of the following lists contains only policies that will close an inflationary gap?', A. 'Increase the money supply; run a federal budget deficit.', B. 'Decrease the money supply; run a federal budget deficit.', C. 'Decrease the money supply; increase taxes; reduce government spending.', D. 'Increase the money supply; increase taxes; reduce government spending.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

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Answer Option 3:

Final Answer: C

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Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 365:

'Appropriate fiscal and monetary policies during the contractionary phase of the business cycle include', A. 'budget surpluses and higher discount rates.', B. 'tax reductions and open market purchases.', C. 'budget surpluses and lower discount rates.', D. 'increases in government spending and higher discount rates.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: A

Question 366:

'According to Monetarist theory', A. 'the FED should actively conduct monetary policy.', B. 'changes in the money supply do not have significant effects.', C. 'fiscal policy is the preferred way of shifting the aggregate demand curve.', D. 'the FED should allow the money supply to grow at a constant rate.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 367:

'Which function of money best defines \$1.25 as the price of a 20-ounce bottle of pop?', A. 'Medium of exchange', B. 'Unit of account', C. 'Store of value', D. 'Transfer of ownership'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 368:

'A policy supported by supply-side economists would be', A. 'higher taxes on corporate profits.', B. 'lower tax rates on interest earned from savings.', C. 'removal of investment tax credits.', D. 'a longer duration of unemployment benefits.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 369:

'To close a recessionary gap', A. 'the aggregate demand curve should be shifted to the right.', B. 'the aggregate demand curve should be shifted to the left.', C. 'the aggregate supply curve should be shifted to the right.', D. 'the aggregate supply curve should be shifted to the left.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 370:

'What will happen to the equilibrium price and the equilibrium quantity of good A when producers of good A expect the price to be higher in the near future?', A. 'The equilibrium price will rise and the equilibrium quantity will fall.', B. 'The equilibrium price will fall and the equilibrium quantity will rise.', C. 'The equilibrium price and the equilibrium quantity will rise.', D. 'The equilibrium price and the equilibrium quantity will fall.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: A

Question 371:

'Which of the following would shift the aggregate demand curve to the right?', A. 'An increase in the price level', B. 'Depreciation in the international value of the dollar', C. 'An increase in personal income tax rates', D. 'An increase in interest rates'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 372:

'Fiat money', A. 'is not backed by any precious commodity.', B. 'can be exchanged for gold.', C. 'is backed by gold but cannot be exchanged for it.', D. 'is not legal tender.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 373:

'If technology makes production less expensive and at the same time exports decrease which of the following will result with certainty?', A. 'Real GDP will increase.', B. 'Real GDP will decrease.', C. 'The price level will increase.', D. 'The price level will decrease.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 374:

'Which of the following would not be an example of contractionary fiscal policy?', A. 'Decreasing money spent on social programs', B. 'Increasing income taxes', C. 'Canceling the annual cost of living adjustments to the salaries of government employees', D. 'Increasing money spent to pay for government projects'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 375:

'Crowding out', A. 'is one reason fiscal policy is so effective.', B. 'occurs when interest rates fall due to government borrowing.', C. 'occurs when consumers and firms spend less offsetting expansionary fiscal policy.', D. 'causes the aggregate demand curve to shift to the right.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 376:

'Assume the reserve requirement is five percent. If the FED sells \$10 million worth of government securities in an open market operation then the money supply can potentially', A. 'increase by \$200 million.', B. 'decrease by \$200 million.', C. 'increase by \$50 million.', D. 'decrease by \$50 million.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 377:

'Which of the following is an example of capital as an economic resource?', A. 'A cement mixer', B. 'A barrel of crude oil', C. 'A registered nurse', D. 'A share of corporate stock'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 378:

'In the equation of exchange', A. 'M stands for the money supply and Q stands for quality.', B. 'V stands for the velocity of GDP and Q stands for quality.', C. 'P stands for the price level and Q stands for quarter.', D. 'P stands for the price level and V stands for the velocity of money.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 379:

'Which of the following most likely increases aggregate demand in the United States?', A. 'An American entrepreneur founds and locates a software company in London.', B. 'The U.S. military closes a military base in California.', C. 'The Chinese government makes it increasingly difficult for American firms to export goods to China.', D. 'A Mexican entrepreneur founds and locates a software company in St. Louis.'

=====

Answer Option 1:

Final Answer: D

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Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: D

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Question 380:

'In a recession expansionary monetary policy is designed to', A. 'decrease aggregate demand so that real prices will decrease which is good for the economy.', B. 'increase aggregate demand which will increase real output and increase employment.', C. 'increase unemployment but low prices negate this effect.', D. 'keep interest rates high which attracts foreign investment.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 381:

'Classical economists generally believe that I. wages fluctuate quickly II. Say's law does not hold III. input and output prices will stay in line with each other IV. the government should not worry about maintaining aggregate demand at an adequate level', A. 'II and IV only', B. 'I III and IV only', C. 'I and IV only', D. 'II and III only'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 382:

'A difference between M1 and M2 is that', A. 'M1 is a first mortgage and M2 is a second mortgage', B. 'M2 is M1 plus assets that are more liquid', C. 'M2 includes savings deposits', D. 'M1 is larger than M2'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 383:

'Monetary tools of the Federal Reserve do not include which of the following choices?', A. 'Buying Treasury securities from commercial banks', B. 'Changing tariffs and quotas on imported goods', C. 'Changing the reserve ratio', D. 'Changing the discount rate'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

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Question 384:

'If the U.S. dollar and Chinese yuan are traded in flexible currency markets which of the following causes an appreciation of the dollar relative to the Chinese yuan?', A. 'Lower interest rates in the United States relative to China', B. 'Lower price levels in China relative to the United States', C. 'Growing American preference to consume more Chinese-made goods', D. 'Rising per capita GDP in China increasing imports from the United States'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 385:

'You hear that the United States has a negative balance in the current account. With this information we conclude that', A. 'there is a trade deficit.', B. 'there is a capital account deficit.', C. 'there is a capital account surplus.', D. 'more U.S. dollars are being sent abroad than foreign currencies are being sent to the United States.'

=====

Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

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Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: A

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Question 386:

'Which of the following is NOT an argument for restricting trade?'; A. 'To protect infant industry', B. 'To promote employment', C. 'To fight inflation', D. 'To promote a diversity of industries'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: D

Question 387:

'The GDP Deflator differs from the CPI in that the GDP Deflator', A. 'is thought to slightly overestimate the inflation rate', B. 'uses base year quantities in its calculations', C. 'incorporates both current year prices and base year prices', D. 'incorporates current year quantities in its calculations'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 388:

'Business cycles', A. 'occur infrequently in capitalist economies.', B. 'refer to reusing resources in production.', C. 'are predictable ups and downs in economic activity.', D. 'are each comprised of a recession and an expansion.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 389:

'When disposable income increases by \$X', A. 'consumption increases by more than \$X.', B. 'saving increases by less than \$X.', C. 'saving increases by exactly \$X.', D. 'saving remains constant.'

=====

Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

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Question 390:

'Tariffs and quotas', A. 'result in higher domestic prices.', B. 'promote trade between nations.', C. 'do not necessarily affect domestic prices.', D. 'affect domestic prices: the former raises them while the latter lowers them.'

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Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A
