

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: 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 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: 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 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: B

Answer Option 7:

Final Answer: B

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: 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 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: 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 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: 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 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: A

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Answer Option 4:

Final Answer: A

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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

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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%.'

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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 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: 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: C

Answer Option 8:

Final Answer: C

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: 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 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

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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

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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

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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 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'

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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 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: 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 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: 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

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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 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: 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 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.'

=====

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.'

=====

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 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

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 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.'

=====

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 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.'

=====

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: 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 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

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 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: 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 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: 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: D

Answer Option 9:

Final Answer: D

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: 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: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

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: 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
