

Feedback — Week Five Quiz

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You submitted this quiz on **Thu 13 Feb 2014 6:42 AM PST**. You got a score of **33.00** out of **33.00**.

Question 1

In most cases, macroeconomists can:

Your Answer	Score	Explanation
<input type="radio"/> 1. Solve an inflation problem by making unemployment worse.		
<input type="radio"/> 2. Solving an unemployment problem by making inflation worse.		
<input type="radio"/> 3. Solve unemployment and inflation at the same time		
<input checked="" type="radio"/> 1 & 2 only	✓ 1.00	
<input type="radio"/> Don't know		
Total	1.00 / 1.00	

Question 2

Which statement is true?

Your Answer	Score	Explanation
<input type="radio"/> Expansionary policies stimulate a recessionary economy – but cause inflation.		

☐ Contractionary policies fight inflation– but can trigger unemployment and recession.

☒ Both ✓ 1.00

☐ Neither

Total 1.00 /
1.00

Question 3

What happens when an economy faces both high unemployment and inflation?

Your Answer	Score	Explanation
<input type="radio"/> It is necessary to use both Keynesian-style monetary and fiscal policy at the same time.		
<input type="radio"/> Only monetary policy should be used		
<input checked="" type="radio"/> Keynesian-style monetary and fiscal policies are counterproductive	✓ 1.00	
<input type="radio"/> I don't know		
Total	1.00 / 1.00	

Question 4

Which type of unemployment is the least of the macroeconomists's worries?

Your Answer	Score	Explanation
<input checked="" type="radio"/> Frictional	✓ 1.00	

☐ Structural☐ Persistent☐ Cyclical

Total

1.00 / 1.00

Question 5

Which type of unemployment requires the most targeted policies?

Your Answer	Score	Explanation
<input type="radio"/> Cyclical		
<input type="radio"/> Frictional		
<input type="radio"/> Persistent		
<input checked="" type="radio"/> Structural	✓ 1.00	
Total	1.00 / 1.00	

Question 6

Which of these types of people are not considered to be part of the labor force?

Your Answer	Score	Explanation
<input type="radio"/> 1. Homemakers		
<input type="radio"/> 2. Prisoners		
<input type="radio"/> 3. Retirees		

☐ 4. Students

☒ All of the above



1.00

☐ 1, 3, & 4 only

Total

1.00 / 1.00

Question 7

If there are 100 million people in the labor force and 6 million of them are unemployed, what is the unemployment rate?

Your Answer

Score

Explanation

☐ 6% minus those not in the labor force

☒ 6%



1.00

☐ 6% plus summer workers

☐ Don't know

Total

1.00 / 1.00

Question 8

Much of teenage unemployment is considered to be:

Your Answer

Score

Explanation

☒ Frictional



1.00

☐ Don't know

☐ Persistent☐ Due to too many video games

Total

1.00 / 1.00

Question 9

According to Oken's Law:

Your Answer	Score	Explanation
<input type="radio"/> Output and inflation move together		
<input type="radio"/> Output and unemployment move together		
<input checked="" type="radio"/> Output and unemployment move in the opposite direction	✓ 1.00	
<input type="radio"/> Don't know		
Total	1.00 / 1.00	

Question 10

Suppose GDP falls by 2%. By Okun's law, how much will inflation rise?

Your Answer	Score	Explanation
<input type="radio"/> 1%		
<input type="radio"/> 2%		
<input type="radio"/> 3%		
<input checked="" type="radio"/> Can't be determined	✓ 1.00	

☐ Don't know

Total

1.00 / 1.00

Question 11

Suppose GDP falls by 2%. By Okun's law, how much will unemployment rise?

Your Answer	Score	Explanation
<input checked="" type="radio"/> 1%	✓ 1.00	
<input type="radio"/> 2%		
<input type="radio"/> 3%		
<input type="radio"/> Can't be determined		
<input type="radio"/> Don't know		
Total	1.00 / 1.00	

Question 12

Suppose the inflation rate exceeds the rate of growth in income. That would mean that purchasing power is:

Your Answer	Score	Explanation
<input checked="" type="radio"/> Falling	✓ 1.00	
<input type="radio"/> Rising		
<input type="radio"/> Staying the same		

☐ Don't know

Total

1.00 / 1.00

Question 13

Demand pull inflation is caused by:

Your Answer	Score	Explanation
<input type="radio"/> Supply-side shocks like drought and oil price hikes.		
<input type="radio"/> Don't know		
<input type="radio"/> A rise in the savings rate		
<input checked="" type="radio"/> "Too much money chasing too few goods."	✓ 1.00	
Total	1.00 / 1.00	

Question 14

Cost-push inflation is caused by:

Your Answer	Score	Explanation
<input type="radio"/> "Too much money chasing too few goods."		
<input checked="" type="radio"/> Supply-side shocks like drought and oil price hikes.	✓ 1.00	
<input type="radio"/> A rise in the savings rate		
<input type="radio"/> Don't know		
Total	1.00 / 1.00	

Question 15

Which type of inflation can best be controlled by Keynesian policies?

Your Answer	Score	Explanation
<input type="radio"/> Cost-push inflation		
<input checked="" type="radio"/> Demand-pull inflation	✓ 1.00	
<input type="radio"/> Both		
<input type="radio"/> Don't know		
Total	1.00 / 1.00	

Question 16

Stagflation is defined as:

Your Answer	Score	Explanation
<input type="radio"/> Simultaneous inflation and wage declines		
<input type="radio"/> Don't know		
<input checked="" type="radio"/> Simultaneous unemployment and inflation	✓ 1.00	
<input type="radio"/> Simultaneous unemployment and wage declines		
Total	1.00 / 1.00	

Question 17

Inflationary expectations are important because:

Your Answer	Score	Explanation
<input type="radio"/> 1. The <u>expectation</u> of inflation can significantly contribute to <u>actual</u> inflation.		
<input type="radio"/> 2. Inflationary expectations strongly influence the behavior of businesses, investors, workers, and consumers!		
<input type="radio"/> 3. They help fight both supply-side shocks and demand-pull inflation		
<input checked="" type="radio"/> 1 & 2 only	✓ 1.00	
<input type="radio"/> Don't know		
Total	1.00 / 1.00	

Question 18

The “core or inertial” rate of inflation is defined as:

Your Answer	Score	Explanation
<input type="radio"/> The inflation that exists all a time		
<input checked="" type="radio"/> Inflation that tends to persist at the same rate until a demand or supply side shock changes things	✓ 1.00	
<input type="radio"/> The inflation that exists before Keynesian stimulus		
<input type="radio"/> Don't know		
Total	1.00 / 1.00	

Question 19

Under adaptive expectations:

Your Answer	Score	Explanation
<input type="radio"/> People believe this year's inflation rate was the same as last year's.		
<input type="radio"/> Don't know		
<input type="radio"/> People believe that it is important to adapt one's investment strategy to the inflation rate		
<input checked="" type="radio"/> People believe <i>next</i> year's rate of inflation will be the same as <i>last</i> year's.	✓ 1.00	
Total	1.00 / 1.00	

Question 20

Under an adaptive expectations model, suppose you are a labor negotiator in last year's inflation rate was 3% and you believe that next year your workers will achieve a 2% increase in their productivity. What is the minimum wage increase for your workers for the next year that will you demand?

Your Answer	Score	Explanation
<input type="radio"/> 3%		
<input checked="" type="radio"/> 5%	✓ 1.00	
<input type="radio"/> 2%		
<input type="radio"/> Don't know		

 4%

Total

1.00 / 1.00

Question 21

According to the theory of the Phillips Curve, what happens to prices when unemployment rises?

Your Answer	Score	Explanation
<input checked="" type="radio"/> They fall	✓ 1.00	
<input type="radio"/> They rise		
<input type="radio"/> They stay the same		
<input type="radio"/> Don't know		
Total	1.00 / 1.00	

Question 22

The key policy implication of the Phillips Curve theory is that:

Your Answer	Score	Explanation
<input type="radio"/> Keynesian fiscal policy will not be effective at stimulating the economy.		
<input type="radio"/> Don't know		
<input type="radio"/> Keynesian monetary policy will not be effective at stimulating the economy.		
<input checked="" type="radio"/> You can use expansionary policies to reduce	✓ 1.00	

unemployment and the only price will be a bit more inflation.

Total	1.00 / 1.00
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Question 23

The “natural rate of unemployment” refers to:

Your Answer	Score	Explanation
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<input checked="" type="radio"/> The minimum unemployment rate consistent with steady inflation	✓ 1.00	
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<input type="radio"/> The unemployment rate that must be achieved in order to reduce inflation		
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<input type="radio"/> The unemployment rate associated with an economy that has failed to yet reach its full level of industrialization		
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<input type="radio"/> Don't know		
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Total	1.00 / 1.00
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Question 24

If it is impossible to drive the unemployment rate below the natural rate in the long run, what does this imply about the slope of the Phillips Curve?

Your Answer	Score	Explanation
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<input checked="" type="radio"/> It is vertical	✓ 1.00	
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<input type="radio"/> Don't know		
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☐ It is a 45° line similar to the aggregate production curve

☐ It is horizontal

Total

1.00 / 1.00

Question 25

The natural rate of unemployment for any given country is:

Your Answer

Score

Explanation

☐ Constant

☒ Changing according to underlying structural factors

✓ 1.00

☐ Accelerating as a country grows

☐ Don't know

Total

1.00 / 1.00

Question 26

If the government uses Keynesian stimulus in an attempt to drive the unemployment rate below the natural rate in the short run, what will be the inevitable result?

Your Answer

Score

Explanation

☐ Rising unemployment

☒ Rising inflation

✓ 1.00

☐ Rising growth in the real gross domestic product over the long run

☐ Don't know

Total

1.00 /
1.00

Question 27

According to Monetarist theory, if a nation repeatedly uses Keynesian policies to try and keep unemployment below the natural rate, what will be the result in the long run?

Your Answer	Score	Explanation
<input checked="" type="radio"/> An inflationary spiral	✓ 1.00	
<input type="radio"/> Don't know		
<input type="radio"/> A supply-side shock		
<input type="radio"/> A deflationary spiral		
Total	1.00 / 1.00	

Question 28

According to the Monetarists, the only way to stop an inflationary spiral is to:

Your Answer	Score	Explanation
<input type="radio"/> Push the actual unemployment rate above the natural rate using Keynesian stimulus.		
<input checked="" type="radio"/> Push the actual unemployment rate above the natural rate by inducing a recession	✓ 1.00	
<input type="radio"/> Reduce the natural rate of unemployment		

☐ Don't know

Total

1.00 /
1.00

Question 29

According to Keynesian economists, the traditional solution to an inflationary spiral is to:

Your Answer	Score	Explanation
<input checked="" type="radio"/> Impose wage and price controls until inflation dissipates	✓ 1.00	
<input type="radio"/> Increase the money supply		
<input type="radio"/> Cut taxes		
<input type="radio"/> Don't know		
Total	1.00 / 1.00	

Question 30

Ronald Reagan ran on a supply-side economics platform that promised to:

Your Answer	Score	Explanation
<input type="radio"/> 1. Accelerate growth		
<input type="radio"/> 2. Cut taxes		
<input type="radio"/> 3. Increased tax revenues		
<input checked="" type="radio"/> All of the above	✓ 1.00	

☐ 1 & 2 only

Total

1.00 / 1.00

Question 31

The Laffer curve is:

Your Answer	Score	Explanation
<input type="radio"/> Forward bending		
<input type="radio"/> Don't know		
<input type="radio"/> A vertical line		
<input checked="" type="radio"/> Backward bending	✓ 1.00	
Total	1.00 / 1.00	

Question 32

According to the Laffer curve, it is possible to cut the marginal tax rate and:

Your Answer	Score	Explanation
<input checked="" type="radio"/> Increase tax revenues	✓ 1.00	
<input type="radio"/> Increase GDP growth		
<input type="radio"/> Decrease tax revenues		
<input type="radio"/> Don't know		
<input type="radio"/> Reduce GDP growth		

Total

1.00 / 1.00

Question 33

According to Supply Side economics theory, deregulation will:

Your Answer	Score	Explanation
<input type="radio"/> Shift out the aggregate demand curve and thereby increase both inflation and GDP growth.		
<input type="radio"/> Shift out the aggregate demand curve and thereby decrease inflation and increase GDP growth		
<input type="radio"/> Shift out the aggregate supply curve and thereby increase both inflation and GDP growth		
<input checked="" type="radio"/> Shift out the aggregate supply curve and thereby decrease inflation and increase GDP growth	✓ 1.00	
<input type="radio"/> Don't know		
Total	1.00 / 1.00	

