Question #1 of 57

Question ID: 1456873

If the GDP deflator is less than 100, then real GDP is:

A) equal to nominal GDP.

B) less than nominal GDP.

C) greater than nominal GDP.

Question #2 of 57

Question ID: 1456900

Which of the following is *most likely* to cause an increase in aggregate demand?

A) An increase in the general price level.

B) High capacity utilization rates.

C) Relative appreciation in the country's currency.

Question #3 of 57

Question ID: 1456902

Which of the following choices *best* describes the effects on consumption, investment, and net exports that would result from an increase in the price level, other factors held constant?

	Consumption	Investment	Net exports
A)	Decrease	Decrease	Decrease
B)	Decrease	Increase	Increase
C)	Increase	Increase	Increase

Question #4 of 57

Question ID: 1456915

A country's labor force is projected to decrease by 2% while its labor productivity is projected to increase by 3% per year. Based on these projections, the country's sustainable annual economic growth rate:

A) depends on the proportions of labor and capital in production.

B) is negative.

C) is positive.

Question #5 of 57

Question ID: 1456908

When potential real GDP is less than actual real GDP, the economy is *most likely* experiencing:

A) inflation.

B) recession.

C) underemployment.

Question #6 of 57

Question ID: 1456903

Which of the following is *most likely* to occur in the short run aggregate demand decreases due to a reduction in business and consumer optimism?

A) A higher rate of inflation.

B) An increase in real GDP.

C) An increase in the rate of unemployment.

Question #7 of 57

Question ID: 1456890

Which of the following is *least likely* a reason that the aggregate demand curve slopes downward?

A) The wealth effect causes consumers to spend less when the price level rises.

B) Because entitlements are adjusted for inflation, a rising price level forces government spending to increase.

C) Business investment declines as a rising price level increases interest rates.

Question #8 of 57

Question ID: 1456885

If the government is running a budget deficit, which of the following relationships are *least likely* to occur in the economy at the same time?

	Exports relative to imports	Savings relative to investment
A)	exports > imports	private savings < private investment
B)	exports < imports	private savings > private investment
C)	exports < imports	private savings < private investment

Question #9 of 57

Question ID: 1456886

Total investment is one of the components of a country's GDP. Which of the following is *least likely* to be considered a source of funds for investment?

A) Household expenditures.

B) National savings.

C) Foreign borrowing.

Question #10 of 57

Question ID: 1456884

If a fiscal budget deficit increases, which of the following factors must also increase if all other factors are held constant?

A) Investment.

B) Trade surplus.

C) Savings.

Question #11 of 57

Question ID: 1456897

Which of the following factors is *most likely* to increase aggregate demand?

A) An expected decrease in future prices.

B) An increase in real wealth.

C) Increasing real interest rates.

Question #12 of 57

Question ID: 1456880

Which of the following amounts is *least likely* to be subtracted from gross domestic product in order to calculate national income?

A) Capital consumption allowance.

B) Indirect business taxes.

C) Statistical discrepancy.

Question #13 of 57

Question ID: 1456907

Stagflation refers to an environment of:

A) Low unemployment and high inflation.

B) High unemployment and high inflation.

C) High unemployment and low inflation.

Question #14 of 57

Question ID: 1456870

A shirt with a retail price of $50 is produced using cloth with a value of $40. The cloth is produced from cotton with a value of $30. Using the sum-of-value-added method, what is the total value added to gross domestic product by producing the shirt?

A) $50.

B) $20.

C) $70.

Question #15 of 57

Question ID: 1456866

A country's gross domestic product is:

A) equal to the country's aggregate income.

B) greater than the country's aggregate income.

C) less than the country's aggregate income.

Question #16 of 57

Question ID: 1456877

Components of national income include:

A) government enterprise profits, unincorporated business net income, and statistical discrepancy.

B) wages and benefits, corporate profits, and indirect business taxes less subsidies.

C) rent, interest income, and capital consumption allowance.

Question #17 of 57

Question ID: 1462785

Which of the following events is *most likely* to increase short-run aggregate supply (shift the curve to the right)?

A) High unemployment puts downward pressure on money wages.

B) Inflation that results in an increase in goods prices.

C) An increase in government spending intended to increase real output.

Question #18 of 57

Question ID: 1456920

The production function approach to explaining economic growth focuses on:

A) the effects on producers of fiscal and monetary policy.

B) shifts in the aggregate demand and supply curves.

C) productivity, the labor force, and the capital stock.

Question #19 of 57

Question ID: 1456921

Growth in total factor productivity is *best* described as driven by growth in:

A) capital.

B) labor.

C) technology.

Question #20 of 57

Question ID: 1456904

A reduction in short-run aggregate supply is *most likely* to be accompanied by an increase in:

A) real GDP.

B) real interest rates.

C) the price level.

Question #21 of 57

Question ID: 1456891

An increase in real interest rates can be expected to:

A) decrease investment and decrease consumption.

B) decrease investment and increase net exports.

C) increase government spending and decrease consumption.

Question #22 of 57

Question ID: 1456888

An increase in a trade surplus is *most likely* to be associated with an increase in:

A) domestic investment.

B) private savings by individuals.

C) government deficits.

Question #23 of 57

Question ID: 1456909

An increase in aggregate demand can result in output greater than potential GDP in:

A) neither the short run nor the long run.

B) the short run and the long run.

C) the short run only.

Question #24 of 57

Question ID: 1456893

The long-run aggregate supply curve is *best* described as:

A) elastic because most input prices are variable in the long run.

B) perfectly elastic because input prices are sticky in the long run.

C) perfectly inelastic because input prices change proportionately with the price level in the long run.

Question #25 of 57

Question ID: 1456867

Gross domestic product includes the value of all goods:

A) produced and purchased during the measurement period.

B) purchased during the measurement period.

C) produced during the measurement period.

Question #26 of 57

Question ID: 1456906

Assume an economy is in long-run and short-run equilibrium. If money wages increase, other things equal, the *most likely* result is a:

A) short-run recessionary gap.

B) short-run inflationary gap.

C) long-run inflationary gap.

Question #27 of 57

Question ID: 1456899

Which of the following events is *least likely* to cause a decrease in short-run aggregate supply?

A) Inflation increases from 4% to 7%.

B) Oil exporting countries reduce their production levels.

C) A labor stoppage causes the price of steel to rise.

Question #28 of 57

Question ID: 1456912

From an initial long-run equilibrium, if aggregate demand increases while short-run aggregate supply decreases, the price level:

A) will increase.

B) may increase or decrease.

C) will decrease.

Question #29 of 57

Question ID: 1456883

The relationship between savings (S), investment (I), government spending (G), government tax revenue (T), exports (X), and imports (M) is:

A) (G – T) = (S – I) + (X – M).

B) (S – I) = (G – T) + (X – M).

C) (X – M) = (S – I) + (G – T).

Question #30 of 57

Question ID: 1456910

If the economy is in short-run disequilibrium below full employment, the *most likely* explanation is that:

A) aggregate demand has decreased.

B) long-run aggregate supply has decreased.

C) money wage rates have decreased.

Question #31 of 57

Question ID: 1456874

Nominal GDP for the year 20X7 is $784 billion and real GDP is $617 billion. If the base period for the GDP deflator is 20X1, the annual rate of increase in the GDP deflator since the base year is *closest to*:

A) 3.5%.

B) 4.0%.

C) 4.5%.

Question #32 of 57

Question ID: 1456914

If both aggregate demand and short-run aggregate supply decrease, the price level:

A) may increase or decrease.

B) will decrease.

C) will increase.

Question #33 of 57

Question ID: 1456922

Over the last five years, in the country of Midlothian, both the labor supply and the real stock of physical capital have increased by 20% and real GDP increased 22%. The reason that real GDP growth was greater than input growth over the period is *most likely* that:

A) money wages decreased.

B) total factor productivity increased.

C) the production function is multiplicative.

Question #34 of 57

Question ID: 1456911

Can an economy that is at long-run equilibrium adjust to produce real GDP which is greater than full-employment real GDP in the short run?

A) No.

B) Yes, if aggregate demand increases.

C) Yes, if wages increase.

Question #35 of 57

Question ID: 1456896

When national income in an important trading partner's economy increases, aggregate demand in the domestic economy is *most likely* to:

A) increase because foreign consumers will tend to buy more export goods from the domestic country.

B) decrease because interest rates in the domestic economy will tend to increase.

C) decrease because foreign consumers will tend to buy less export goods from the domestic country.

Question #36 of 57

Question ID: 1462783

An economist calculates the following value:

> National income + transfer payments to households − indirect business taxes − corporate income taxes − undistributed corporate profits

The *most appropriate* term for the value she has calculated is:

A) GDP.

B) personal income.

C) disposable income.

Question #37 of 57

Question ID: 1456898

Which of the following factors is *most likely* to increase long-run aggregate supply?

A) The average rate of labor productivity increases.

B) Aggregate demand decreases.

C) Wage rates increase.

Question #38 of 57

Question ID: 1456878

Under the expenditure approach, gross domestic product is the sum of:

A) national income and transfer payments to households, less corporate and indirect business taxes and undistributed corporate profits.

B) consumption spending, gross private domestic investment, government spending, and net exports.

C) wages and benefits, corporate profits, interest income, unincorporated business owners' income, rent, and indirect business taxes less subsidies.

Question #39 of 57

Question ID: 1462784

If domestic savings are insufficient to finance domestic private investment and exports are greater than imports, it is *most likely* that the fiscal budget has:

A) a surplus that is greater than the trade surplus.

B) a deficit that is less than the trade surplus.

C) a deficit that is greater than the trade surplus.

Question #40 of 57

Question ID: 1456876

The GDP deflator is the percentage difference between nominal GDP:

A) in the current period and real GDP in the base period.

B) and real GDP in the current period.

C) and real GDP in the base period.

Question #41 of 57

Question ID: 1456875

If nominal GDP is $562 billion and the GDP deflator is 119, real GDP is *closest to*:

A) $472 billion.

B) $47 billion.

C) $5 billion.

Question #42 of 57

Question ID: 1456872

Compared to GDP calculated using the sum-of-value-added method, GDP using the value-of-final-output method will be:

A) biased downward.

B) biased upward.

C) equal to it.

Question #43 of 57

Question ID: 1456892

The long-run aggregate supply curve is:

A) elastic because input prices are sticky.

B) inelastic because all input prices can vary.

C) perfectly elastic because input prices are fixed.

Question #44 of 57

Question ID: 1462786

In the short run, will an increase in the money supply increase the price level and real output?

A) Both will increase in the short run.

B) Only one will increase in the short run.

C) Neither will increase in the short run.

Question #45 of 57

Question ID: 1456917

Sources of long-run economic growth *most likely* include increases in:

A) human capital, money supply, and natural resources.

B) government spending, labor supply, and physical capital.

C) labor supply, physical capital, and technology.

Question #46 of 57

Question ID: 1456918

In the production function approach to analyzing economic growth, total factor productivity accounts for:

A) capital deepening and any increase in the amount of capital available.

B) output growth not attributable to growth in labor and capital.

C) technological advances and growth of the labor force.

Question #47 of 57

Question ID: 1456882

If private saving equals private business investment, a trade surplus implies that there is:

A) a fiscal surplus.

B) no fiscal surplus or deficit.

C) a fiscal deficit.

Question #48 of 57

Question ID: 1456868

Which of the following *least* accurately describes a component of gross domestic product?

A) Consumption.

B) Investment.

C) Net imports.

Question #49 of 57

Question ID: 1456919

When the sources of economic growth are stated as a production function, which factor is treated as a multiplier?

A) Size of the labor force.

B) Amount of capital available.

C) Productivity.

Question #50 of 57

Question ID: 1456871

Which method of calculating gross domestic product requires data from each stage of production of goods?

A) Income method.

B) Value of final output method.

C) Sum of value added method.

Question #51 of 57

Question ID: 1456916

The sustainable growth rate of an economy is *best* viewed as the sum of the growth rates of:

A) private and government spending.

B) the labor force and productivity.

C) consumption and investment.

Question #52 of 57

Question ID: 1456894

Because some input prices do not adjust rapidly to changes in the price level, the short-run aggregate supply curve:

A) exhibits a negative relationship between quantity supplied and the price level.

B) is more elastic than the long-run aggregate supply curve.

C) may be interpreted as representing the economy's potential output.

Question #53 of 57

Question ID: 1456889

Which of the following statements concerning aggregate demand is *most* accurate?

A) When price levels fall, real wealth increases, and individuals will spend less.

B) When price levels rise, real wealth increases, and individuals will spend more.

C) When price levels rise, real wealth decreases, and individuals will spend less.

Question #54 of 57

Question ID: 1456895

The sustainable growth rate of real GDP is *most likely* to be increased by:

A) the discovery of untapped oil fields.

B) an increase in the propensity to consume by households.

C) an increase in government spending.

Question #55 of 57

Question ID: 1456913

If both aggregate demand and short-run aggregate supply increase, real GDP:

A) will decrease.

B) may increase or decrease.

C) will increase.

Question #56 of 57

Question ID: 1462782

A collector of antique automobiles buys one for $180,000 in 20X1 and sells it for $200,000 in 20X3. That buyer then sells the automobile for $215,000 in 20X5. Do these sales increase gross domestic product in 20X3 and 20X5?

A) No.

B) Yes, by $20,000 in 20X3 and $15,000 in 20X5.

C) Yes, by $200,000 in 20X3 and $215,000 in 20X5.

Question #57 of 57

Question ID: 1456879

The difference between personal income and disposable income is:

A) fixed expenses.

B) savings.

C) taxes.