



ECON 202 - MACROECONOMIC PRINCIPLES

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iClicker Questions

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Trial Session: Warm-Up

Who is the current president of the USA?

- A) George Bush
- B) Barack Obama
- C) Hillary Clinton
- D) George Clinton
- E) **Donald Trump**

Trial Session: Warm-Up

The law of demand says that

- A) if prices are high, quantities demanded are high
- B) if prices are low, quantities demanded are high**
- C) if prices are high, quantities demanded are low**
- D) if prices are lower, quantities demanded are low
- E) none of the above

Trial Session: Question 2

How large is nominal GDP in the US in 2015?

- A) 16 Billion USD
- B) 18 Billion USD
- C) 16 Trillion USD
- D) **18 Trillion USD**
- E) 20 Trillion USD

Trial Session: Question 3

What is GDP per capita in the US?

- A) \$35,000
- B) \$45,000
- C) **\$55,000**
- D) \$65,000
- E) \$75,000

Trial Session: Cool-Down 1

What is Okun's law?

- A) The negative relationship between inflation and the rate of unemployment
- B) The negative relationship between growth in unemployment and growth of GDP**
- C) The positive relationship between growth in unemployment and growth of GDP
- D) The positive relationship between inflation and the rate of unemployment
- E) The positive correlation between the real interest rate and economic growth

Trial Session: Cool-Down 2

The U.S. is the largest economy in the world in terms of real GDP?

- A) **True**
- B) False

Session 1: Question 1

How large is nominal GDP in the US in 2015?

- A) 16 Billion USD
- B) 18 Billion USD
- C) 16 Trillion USD
- D) **18 Trillion USD**
- E) 20 Trillion USD

Session 1: Question 2

How large is per capita GDP in the US in 2015?

- A) 40,000 USD
- B) 45,000 USD
- C) 50,000 USD
- D) **55,000 USD**
- E) 60,000 USD

Session 1: Question 3

In the US, household consumption (durable, non-durable + services) is roughly

- A) 20% of GDP
- B) 1/3 of GDP
- C) 1/2 of GDP
- D) **2/3 of GDP**
- E) 80% of GDP

Session 1: Question 4

The U.S. is the largest economy in the world in terms of real GDP?

- A) **True**
- B) False

Session 2: Question 1

A macroeconomic model

- A) is a detailed depiction of the overall economy that is always true
- B) prevents recessions
- C) is an approximation of the economy that results in true forecasts of future aggregate variables
- D) is an approximation of the economy that results in approximate forecasts of future aggregate variables**
- E) decreases inflation

Session 2: Question 2

The Gini Coefficient measures

- A) how rich a nation is
- B) how rich the citizens of a nation are on average
- C) **how evenly distributed income is within a country**
- D) the amount of growth without inflation
- E) purchasing power parity adjusted income

Session 2: Question 3

Medicare is

- A) a part of investment I
- B) a part of government consumption G
- C) a part of net exports NX
- D) **not part of G**
- E) a transfer that pays for healthcare of poor people

Session 2: Question 4

U.S. Net Exports are positive.

- A) True
- B) **False**

Session 3: Question 1

A pro-cyclical variable is a variable that

- A) causes a boom
- B) over time moves in the opposite direction of GDP
- C) **over time moves with the business cycle**
- D) **over time moves in the same direction as GDP**
- E) precedes a recession

Session 3: Question 2

If an economy produces 50 planes and 500 plane seats for these planes. Planes sell for \$1 million each and plane seats sell for \$100 each. GDP in this economy is

- A) $\$1 \text{ million} \times 50 + \100×500
- B) **$\$1 \text{ million} \times 50$**
- C) $\$100 \times 500$
- D) $\$1 \text{ million} \times 50 - \100×500
- E) $-\$1 \text{ million} \times 50 + \100×500

Session 3: Question 3

If you sell your TV to a friend for \$100, then you have contributed to an increase in GDP of \$100.

- A) True
- B) False**

Session 3: Question 4

If you burn your worst enemy's macroeconomics textbook you decrease GDP by \$110 which is the price of the new textbook.

- A) True
- B) **False**

Session 3: Question 1

Cooking a fancy meal at your home on a Sunday increases GDP by the value the same meal would cost at a restaurant.

- A) True
- B) **False**

Session 3: Question 3

Country A produces final goods worth \$100 million.

Country B produces final goods worth \$100 million.

Workers in country A get two weeks of vacation. Workers in country B get four weeks of vacation.

GDP in Country B is higher because they have more leisure.

A) True

B) **False**

Session 4: Question 1

Producing raw oil worth \$100 million pollutes a nearby water source. According to some estimates cleaning the water would cost \$100 million. This cancels the increase in GDP from the oil production. So GDP does not increase in this case.

- A) True
- B) False**

Session 4: Question 2

Net exports in the U.S. are roughly

- A) 1% of GDP and negative
- B) 1% of GDP and positive
- C) 3 % of GDP and positive
- D) **3% of GDP and negative**
- E) 5% of GDP and negative

Session 4: Question 3

The GDP Deflator is defined as

- A) $\text{real GDP} / \text{nominal GDP} * 100$
- B) **$\text{nominal GDP} / \text{real GDP} * 100$**
- C) $\text{real GDP} * \text{nominal GDP} * 100$
- D) $\text{nominal GDP} / \text{inflation} * 100$
- E) $\text{nominal GDP} - \text{real GDP} * 100$

Session 4: Question 4

Nominal GDP in year 2015 (the **base year**) is \$5 million. The price inflation was 10% from the previous year. Real GDP in 2015 is:

- A) \$5million \times inflation
- B) \$5million / inflation
- C) **\$5million**
- D) \$5million + inflation
- E) \$5million – inflation

Session 5: Question 1

A trade tariff on imports of a good

- A) increases the demand for this good because it now becomes more valuable
- B) decreases the domestic supply of this good
- C) decreases the overall supply of this good**
- D) decreases foreign supply of this good
- E) None of the above

Session 5: Question 2

An import quota for a good

- A) imposes a maximum price for this good
- B) increases the supply of this good
- C) **limits supply of this good to a certain quantity specified by the quota**
- D) decreases the price for the good in the domestic market
- E) None of the above

Session 5: Question 3

A country can either produce 80 cars or 20 trucks. The slope of the production possibilities frontier is

A) 80

B) -40

C) $-4(x)$

D) -2

E) $-0.25(x)$

Session 5: Question 4

The USA has a comparative advantage in steel production over Argentina if

- A) it produces more steel per worker than Argentina
- B) it has higher opportunity costs in making steel than Argentina
- C) **it has lower opportunity costs in making steel than Argentina**
- D) it makes a higher profit in steel production than Argentina
- E) None of the above

Session 5: Question 5

The Terms of Trade

- A) describes how well trade contracts are written with foreign nations
- B) specifies how much trade is allowed by the government
- C) describes environmental conditions that may help or hinder trade (e.g., distance, safety concerns, etc.)
- D) is the relative price of the export good over the import good**
- E) None of the above

Session 6: Question 1

A laid-off steel worker not being able to find a job after a steel plant closed in Pittsburgh and steel production has moved elsewhere is defined as:

- A) cyclically unemployed
- B) discouraged worker
- C) **structurally unemployed**
- D) frictionally unemployed
- E) seasonally unemployed

Session 6: Question 2

The labor force participation rate is defined as

A)

$$\frac{\text{employed} + \text{discouraged workers}}{\text{labor force}}$$

B)

$$\frac{\text{employed}}{\text{labor force}}$$

C)

$$\frac{\text{employed} + \text{unemployed}}{\text{population} \geq 16}$$

x

D)

$$\frac{\text{labor force}}{\text{population} \geq 16}$$

x

Session 6: Question 3

The Jan-Aug 2017 official U.S. unemployment rate is around

- A) 2.9%
- B) 3.9%
- C) **4.5%**
- D) 5.9%
- E) 6.9%

Session 6: Question 4

CPI is defined as

A)

$$\frac{\text{Price}_{\text{base}} \times \text{Quantity}_{\text{base}}}{\text{Price}_{\text{base}} \times \text{Quantity}_{\text{base}}} \times 100$$

B)

$$\frac{\text{Price}_{\text{current}} \times \text{Quantity}_{\text{base}}}{\text{Price}_{\text{base}} \times \text{Quantity}_{\text{base}}} \times 100$$

x

C)

$$\frac{\text{Price}_{\text{current}} \times \text{Quantity}_{\text{current}}}{\text{Price}_{\text{base}} \times \text{Quantity}_{\text{base}}} \times 100$$

D)

$$\frac{\text{Price}_{\text{base}} \times \text{Quantity}_{\text{current}}}{\text{Price}_{\text{base}} \times \text{Quantity}_{\text{base}}} \times 100$$

Session 7: Question 1

Inflation is bad for somebody who lent money to a friend at a fixed interest rate.

A) **True**

B) False

Session 7: Question 2

Deflation is

- A) inflation minus growth
- B) an increase in the overall price level
- C) **a decrease in the overall price level**
- D) **a decrease in the CPI index**
- E) bad for lenders

Session 7: Question 3

Inflation calculated using the CPI in general overstates the actual price inflation experienced by U.S. households

A) **True**

B) False

Session 8: Question 1

Hyperinflation is defined as:

- A) Inflation exceeds 50% per day
- B) Inflation exceeds 50% per week
- C) Inflation exceeds 50% per month**
- D) Inflation exceeds 50% per year

Session 8: Question 2

If we double the amount of labor in Cobb-Douglas production function then

- A) Capital will double as well
- B) Output will double
- C) Output will double if capital is held constant
- D) **Output will double if capital doubles as well**
- E) none of the above

Session 8: Question 3

In a free market with excess demand for the good/service

- A) Prices will drop in the short-run
- B) Prices will drop in the long-run
- C) Prices will rise in the short-run
- D) **Prices will rise in the long-run**
- E) Prices won't change

Session 8: Question 4

If you have the following production function

$$Y = A \times K^{\alpha} \times N_d^{1-\alpha},$$

where K is capital and N_d is labor. You know that production parameter $\alpha = 0.33$, **total factor productivity** $A = 2$ and your level of capital is $K = 1$. If labor $N_d = 0$, then output is

- A) 0
- B) 1
- C) 2
- D) 3.18
- E) 4.18

Session 8: Question 5

If you have the following production function

$$Y = A \times K^{\alpha} \times N_d^{1-\alpha},$$

where K is capital and N_d is labor. You know that production parameter $\alpha = 0.33$, **total factor productivity** $A = 2$ and your level of capital is $K = 1$. If labor $N_d = 1$, then output is

- A) 0
- B) 1
- C) 2
- D) 3.18
- E) 4.18

Session 8: Question 6

If you have the following production function

$$Y = A \times K^{\alpha} \times N_d^{1-\alpha},$$

where K is capital and N_d is labor. You know that production parameter $\alpha = 0.33$, **total factor productivity** $A = 2$ and your level of capital is $K = 1$. If labor $N_d = 2$, then output is

- A) 1
- B) 2
- C) 3.18
- D) 4.18
- E) 5.18

Session 9: Question 1

The wage increases. If the substitution effect dominates the income effect then the quantity of labor supplied by households will decrease.

- A) True
- B) **False**

Session 9: Question 2

The Laffer curve describes that

- A) higher taxes lead to higher household income
- B) lower taxes lead to higher household income
- C) **higher taxes lead to higher tax revenue if current tax rate is to the left of the peak**
- D) **lower taxes lead to higher tax revenue if current tax rate is to the right of the peak**
- E) taxes will lead to higher inflation

Session 10: Question 1

According to Kaldor's stylized facts

- A) per capita output stays constant over time
- B) per capita output grows over time and the growth rates do tend to diminish to zero
- C) physical capital grows but stays constant on a per worker basis
- D) the ratio of capital to output has stayed constant over time**
- E) none of the above

Session 10: Question 2

Capital deepening means that

- A) more human capital is used in production
- B) **more capital per worker is used in production**
- C) more labor is used for each machine in production
- D) more human capital is used per labor hour
- E) none of the above

Session 11: Question 1

Capital deepening can be caused by

- A) government taxing households
- B) **households saving more for the future**
- C) population growth
- D) imports of cheap consumer goods
- E) none of the above

Session 11: Question 2

If an economy operates at full employment the

- A) unemployment rate is zero
- B) **cyclical unemployment rate is zero**
- C) the structural unemployment rate is zero
- D) the frictional unemployment rate is zero
- E) none of the above

Session 11: Question 3

According to the Solow Growth Model

- A) the economy grows indefinitely
- B) the economy grows if the initial capital stock is above the steady state level of capital
- C) the economy only grows if the initial capital stock is exactly at the steady state level
- D) the economy grows up to the steady state level and then stops growing**
- E) none of the above

Session 11: Question 4

According to the Solow Growth Model net investment is

- A) equal to aggregate household savings S
- B) equal to gross Investment minus depreciation $I - d \times K$**
- C) equal to household savings minus depreciation $S - d \times K$
- D) negative if the capital stock is larger than the long-run steady state level of capital k^***
- E) none of the above

Session 11: Question 5

If the money supply increases then the aggregate demand curve

- A) does not change
- B) **shifts right**
- C) shifts left
- D) shifts down
- E) none of the above

Lecture 15: Question 6

A change in the price level shifts aggregate demand to the right.

- A) True
- B) **False**