ECON 202 - MACROECONOMIC PRINCIPLES

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iClicker Questions

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Example: Question 1: 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**

Lecture 2: Warm-Up - Question 1

Who is the current president of the USA?

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

Lecture 2: 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

Lecture 2: 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

Lecture 2: 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

Lecture 2: Cool-Down 2

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

A) **True**
B) False

Lecture 3: 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

Lecture 3: 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

Lecture 3: 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

Lecture 3: Question 4

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

A) **True**
B) False

Lecture 3: Question 5 - Cool Down

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

Lecture 3: Question 6 - Cool Down

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**

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E) The positive correlation between the real interest rate and economic growth

Lecture 4: Question 1

A macroeconomic model

A) is a detailed depiction of the overall economy that is always true

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D) **is an approximation of the economy that results in approximate forecasts of future aggregate variables**

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Lecture 4: 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

Lecture 4: 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

Lecture 4: Question 4

U.S. Net Exports are positive.

A) True

B) **False**

Lecture 5: 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

Lecture 5: 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 million$\times$50 + \$100$\times$500

B) **\$1 million**$\times$50

C) \$100$\times$500

D) \$1 million$\times$50 - \$100$\times$500

E) -\$1 million$\times$50 + \$100$\times$500

Lecture 5: 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**

Lecture 5: 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**

Lecture 6: 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**

Lecture 6: Question 2

Producing raw oil worth \$100 million pollutes a nearby water source.
Cleaning the water costs \$100 million.
This cancels the increase in GDP from the oil production. So GDP does not increase in this case.

A) True

B) **False**

Lecture 6: 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**

Lecture 7: Question 1

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

Lecture 7: Question 2

The GDP Deflator is defined as

A) real GDP/nominal GDP*100

B) **nominal GDP/real GDP*100**

C) real GDP * nominal GDP*100

D) nominal GDP/inflation*100

E) nominal GDP - real GDP*100

Lecture 7: Question 2

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

Lecture 8: 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

Lecture 8: 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

Lecture 8: Question 3

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

Lecture 8: Question 4

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) -0.25x

Lecture 9: 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

Lecture 9: Question 2

The labor force participation rate is defined as

A)

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

B)

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

C) x

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

D) x

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

Lecture 9: Question 3

The official U.S. unemployment rate is around

A) 2.9%

B) 3.9%

C) **4.9%**

D) 5.9%

E) 6.9%

Lecture 10: Question 1

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) (X)

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

C)

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

D)

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

Lecture 10: Question 2

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

A) **True**

B) False

Lecture 10: Question 3

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

Lecture 10: Question 4

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

A) **True**

B) False

Lecture 11: 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

Lecture 11: 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) Output will double if the production function is CRS

Lecture 11: Question 3

If there is a market with excess demand for the good/service then

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

Lecture 11: Question 4

If you have the following production function

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

where K is capital and N 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 $N = 0$, then output is

A) **0**

B) 1

C) 2

D) 3.18

E) 4.18

Lecture 11: Question 5

If you have the following production function

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

where K is capital and N 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 $N = 1$, then output is

A) 0

B) 1

C) **2**

D) 3.18

E) 4.18

Lecture 11: Question 6

If you have the following production function

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

where K is capital and N 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 $N = 2$, then output is

A) 1

B) 2

C) **3.18**

D) 4.18

E) 5.18

Lecture 12: 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**

Lecture 12: Question 2

A labor payroll tax will

A) Increase the demand for labor

B) **Decrease the demand for labor**

C) Increase the supply of labor

D) Decrease the supply of labor

E) cause cyclical unemployment in the long-run

Lecture 12: Question 3

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

Lecture 13: Question 1

According to Kaldor's stylized facts

A) per capita output stays constant over time and the growth rates does not tend to diminish

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 increased over time

E) **none of the above**

Lecture 13: 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

Lecture 13: Question 3

The rule of 70 states that

A) it takes 70 years to double the size of the economy

B) it takes a growth rate of 4% to double the economy in 70 years

C) the higher the growth rate the closer to 70 years it takes to grow the economy

D) over the last 70 years the economy has been growing

E) **none of the above**

Lecture 14: 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

Lecture 14: 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

Lecture 14: 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

Lecture 14: 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

Lecture 15: Question 1

According to the Solow Growth Model

A) a decrease in TFP and an increase in the depreciation rate causes economic growth

B) **an increase in TFP and a decrease in the depreciation rate causes capital deepening**

C) an increase in TFP and a decrease in the savings rate causes economic growth

D) **a decrease in the savings rate and a decrease in TFP causes capital stock to decrease**

E) none of the above

Lecture 15: Question 2

If the money supply increases then the aggregate demand curve

A) does not change

B) **shifts right**

C) shifts left

D) shifts up

E) none of the above

Lecture 15: Question 3

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

A) True

B) **False**

Lecture 16: Question 1

If government spending increases

A) **output increases in the short-run**

B) output increases in the long-run

C) the price level increases but output stays the same in the short-run

D) **the price level increases but output stays the same in the long-run**

E) output and price level stay the same in the long-run

Lecture 16: Question 2

The multiplier effect

A) increases taxes

B) increases autonomous consumption C_a

C) increases the marginal propensity to consume b

D) shifts the AD curve to the left once the government increases its spending (crowding out)

E) **none of the above**

Lecture 16: Question 3

You face the following consumption function

$$C = 100 + 0.75 \times Y$$

The multiplier in this case is

A) 0.4

B) 1

C) 2

D) 2.22

E) **4**

Lecture 17: Question 1

Expansionary fiscal policy

A) moves aggregate demand to the left

B) means that the government increases taxes

C) means that the government increases the money supply

D) moves aggregate demand down

E) **none of the above**

Lecture 17: Question 2

The outside lag of fiscal policy is the time it takes congress to formulate and pass a law e.g. a tax cut.

A) True

B) **False**

Lecture 17: Question 3

Military spending is part of the federal governments entitlement spending category.

A) True

B) **False**

Lecture 17: Question 4

Paying unemployment transfers in times of high unemployment is an example of

A) expansionary monetary policy

B) contractionary fiscal policy

C) contractionary monetary policy

D) increase business cycle fluctuations due to internal and external lags in implementing fiscal policy

E) **an automatic stabilizer**

Lecture 18: Question 1

In the income expenditure model if autonomous consumption is 100, investment is 30 and the marginal propensity to consume is 75 percent, then equilibrium GDP (or output y) is

A) 500

B) **520**

C) 540

D) 560

E) 580

Lecture 18: Question 2

In the income expenditure model the investment multiplier is

A) one minus the marginal propensity to consume

B) **one over the marginal propensity to save**

C) **one divided by (one minus the marginal propensity to consume)**

D) one minus the marginal propensity to save

E) none of the above

Lecture 18: Question 3

In the income expenditure model any point on the 45-degree line is a point where aggregate expenditures are equal to GDP.

A) **True**

B) False

Lecture 19: Question 1

Increasing government spending G financed by an equal increase taxes is an example of

A) deficit financing

B) contractionary fiscal policy

C) **balanced budget financing**

D) expansionary monetary policy

E) none of the above

Lecture 19: Question 2

The marginal propensity to consume is $b = 0.5$. If the government increases government spending by \$20 million and in order to finance this increase also increases taxes by \$20 million, then according to the multiplier effect output (or GDP) would increase by

A) \$10 million

B) **\$20 million**

C) \$40 million

D) \$60 million

E) none of the above

Lecture 19: Question 3

In a closed economy the tax multiplier is

A) one minus the marginal propensity to consume

B) $-\frac{1}{1-b}$

C) $\frac{b}{1-b}$

D) $-\frac{1-b}{b}$

E) $\Rightarrow -\frac{b}{1-b}$

Lecture 20: Question 1

Investment is

A) pro-cyclical and fluctuates less than GDP

B) **pro-cyclical and fluctuations more than GDP**

C) counter-cyclical and fluctuations less than GDP

D) counter-cyclical and fluctuations more than GDP

E) none of the above

Lecture 20: Question 2

If future GDP growth is expected to be high then

A) **today's investment tends to be high**

B) today's investment is unaffected

C) today's investment is low as people wait to invest in the future

D) today's investment is counter-cyclical

E) none of the above

Lecture 20: Question 3

You will receive a payment five years from now of $600. After checking with your bank you find out that the nominal interest rate is stable and can be expected to be 2% for the foreseeable future. What is this future payment worth today?

A) $537

B) $539

C) $541

D) **$543**

E) $545

Lecture 21: Question 1

If the interest rate is high, the present value of future cash tends to be high as well.

A) True

B) **False**

Lecture 21: Question 2

If the interest rate is high, it is advantageous to hold as little cash as possible

A) **True**

B) False

Lecture 21: Question 3

According to the Q-Theory of investment

A) investments are high when interest rates are high

B) investments are low when output is high

C) **investments are positively correlated with stock market prices**

D) stock market prices are inversely related to investment spending

E) future investments are worth more than present ones

Lecture 21: Question 4

When you pay for a drink with your credit card you use money to pay for a consumption good.

A) True

B) **False**

Lecture 21: Question 5

Grapes would be a good example for commodity money because they are easy to transport and easily divisible into smaller units.

A) True

B) **False**

Lecture 21: Question 6

The main components of the money aggregate M1 are

A) cash, checking and demand deposit accounts and savings accounts

B) cash, credit cards and checking and demand deposit accounts

C) **cash and checking and demand deposit accounts**

D) cash, Eurodollars, and travelers checks

E) none of the above

Lecture 22: Question 1

An open market purchase is

A) a sale of bonds by the Fed to slow down economic growth

B) a sale of bonds by the Fed to grow the economy

C) **the Fed buying bonds from banks to increase the money supply**

D) the Fed buying money from banks to decrease the money supply

E) the Fed buying bonds from banks to decrease the money supply

Lecture 22: Question 2

An open market purchase increases the money aggregate $M1 + M2$

A) **True**

B) False

Lecture 22: Question 3

If the money multiplier is 5 then a new deposit of $1,000 of cash that you found under a pillow generates additional money in the amount of

A) $0

B) $1,000

C) **$4,000**

D) $5,000

E) $10,000

Lecture 22: Question 4

If the money multiplier is 5 then you writing a friend a check of \$1,000 generates additional money in the amount of

A) **\$0**

B) \$1,000

C) \$4,000

D) \$5,000

E) \$10,000

Warm Up

Lecture 23: Question 1

An open market sale will increase the market interest rate.

A) **True**

B) False

Lecture 23: Question 2

Increasing the reserve requirements is an example of

A) expansionary fiscal policy

B) contractionary fiscal policy

C) expansionary monetary policy

D) **contractionary monetary policy**

E) none of the above

Cool Down

Lecture 23: Question 3

Treasury bonds become cheaper when the Fed conducts an open market purchase.

A) True

B) **False**

Warm Up

Lecture 24: Question 1

Treasury bonds become cheaper when the Fed conducts an open market purchase.

A) True

B) **False**

Lecture 24: Question 2

The inside lag of monetary policy is much larger than the inside lag of fiscal policy.

A) True

B) **False**

Lecture 24: Question 3

Quantitative easing refers to a practice where the Fed

A) Buys short-term bonds to decrease money supply and increase the short-term interest rate

B) Buys long-term bonds to decrease the money supply and increase the long-term interest rate

C) Buys short-term bonds to increase the money supply and decrease the short-term interest rate

D) **Buys long-term bonds to increase the money supply and decrease the long-term interest rate**

E) None of the above

Warm Up

Lecture 25: Question 1

According to our model, in the long-run prices are sticky.

A) True

B) **False**

Lecture 25: Question 2

If the economy is in a recession then according to the AD/AS model

A) Prices will increase and the economy will grow out of the recession in the short-run

B) Prices will increase and the economy will grow out of the recession in the long-run

C) Prices will decrease and the economy will grow out of the recession in the short-run

D) **Prices will decrease and the economy will grow out of the recession in the long-run**

E) None of the above

Lecture 25: Question 3

In the long-run the price level will determine the level of GDP.

A) True

B) **False**

Lecture 25: Question 4

According to our AD/AS model, if we are in a recession then the interest rate will eventually decrease and private investment will increase without any intervention by the government or the central bank

A) **True**

B) False

Warm Up

Lecture 26: Question 1

According to our model, in the long-run a tax break causes the price level to rise.

A) **True**

B) False

Lecture 26: Question 2

According to our model, cuts in military spending will increase GDP in the long-run.

A) True

B) **False**

Lecture 26: Question 3

A liquidity trap is a situation where

A) too much money is in the economy and there is upward pressure on inflation

B) the Fed sells treasury bonds and the economy grows

C) the Fed buys treasury bonds and the economy grows

D) **ineffective monetary policy because the interest rate hit a lower bound**

E) ineffective fiscal policy because the interest rate hit an upper bound

Lecture 26: Question 4

According to the classical view

A) in the long-run we are all dead

B) in the long-run expansionary fiscal policy does grow the economy

C) in the short-run expansionary monetary policy does grow the economy

D) some prices are sticky

E) **none of the above**

Lecture 26: Question 5

If the economy is overheating it means that

A) too much oil and coal is used in production

B) the economy produces below potential and prices will increase

C) unemployment is high and social pressures rise

D) the economy produces above potential and deflation begins

E) **none of the above**