



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: Bonus Question

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

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

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 4 - Cool Down

The marginal principle states that

- A) You should produce more when the cost is low
- B) You should increase production of an item if the marginal cost exceeds the marginal benefit
- C) You should maximize total benefits of production
- D) You should produce a quantity so that marginal benefit is equal to marginal cost**
- E) You should decrease production when the marginal benefit exceeds the marginal cost

Lecture 4: Question 1

In a simple one product economy doubling labor input will

- A) Double output if all other input factors double as well and technology is CRS
- B) Produce more output
- C) Produce more output, but not double it
- D) Increase GDP
- E) **All of the above**

Lecture 4: Question 2

If working for an extra hour at your job will result in \$10 extra income but also give you a major headache that you value at \$15 then, according to the Marginal Principle, you should:

- A) Work the extra hour
- B) Take a pill
- C) **Not work the extra hour**
- D) Check your opportunity cost
- E) Call your mom and ask for \$25

Lecture 4: Question 3

After your friend tells you about a rumor that there is poison in the public water supply you stop drinking water from the faucet. This is an example of

- A) A right-shift in the supply of water due to poison
- B) A left-shift in the supply of water due to poison
- C) A right-shift in demand for water due to a rumor
- D) **A left-shift in demand for water due to a rumor**
- E) A market failure

Lecture 5: Question 1

After your friend tells you about a rumor that there is poison in the public water supply you stop drinking water from the faucet. This is an example of

- A) A right-shift in the supply of water due to poison
- B) A left-shift in the supply of water due to poison
- C) A right-shift in demand for water due to a rumor
- D) **A left-shift in demand for water due to a rumor**

Lecture 5: Question 2

Second hand smoke is an example of

- A) a market failure due to information asymmetry
- B) **a market failure due to an externality**
- C) a market failure due to imperfect competition
- D) a market failure due to a public good
- E) a market failure due to imperfect information

Lecture 5: Question 3



Lecture 5: Question 3



- A) Dude standing next to flower pot
- B) Market failure due to externality
- C) **Supply shift to the left**
- D) Demand shift to the right
- E) Supply shift to the right

Lecture 5: Question 3 - Info

- The Tulip Folly, 1882 by Jean -Leon Gerome
- Soldiers trample flowerbeds in a vain attempt to stability the tulip market by limiting supply
- https://en.wikipedia.org/wiki/Tulip_mania
- First recorded speculative bubble in 1637

Lecture 6: Question 1

You have the following demand function

$$p = 10 - 2q$$

The intercept of this demand function with the vertical axis is:

- A) -2
- B) 0.5
- C) 5
- D) **10**

Lecture 6: Question 2

You have the following demand function

$$p = 10 - 2q$$

The slope of this demand function is:

- A) -2
- B) 0.5
- C) 5
- D) 10

Lecture 6: Question 3

You have the following demand function

$$p = 10 - 2q$$

If you observe that quantity demanded decreased by 1 unit, then prices must have:

- A) increased by \$0.5
- B) increased by \$1
- C) increased by \$2
- D) **decreased by \$2**

Lecture 6: Question 4

You have the following demand function

$$p = 10 - 2q$$

If prices increase by \$1 then demand:

- A) **decreases by 0.5 units**
- B) decreases by 1 unit
- C) decreases by 2 units
- D) increases by 2 units

Lecture 7: 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 7: Question 1

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

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

Lecture 8: 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 8: 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

Lecture 9: Question 1

The wage increases. If the substitution effect dominates the income effect then

- A) Labor supplied will decrease
- B) Labor supplied will increase**
- C) Workers will enjoy more leisure
- D) Labor demanded will increase
- E) Workers will enjoy less leisure**

Lecture 9: Question 2

If we double the amount of labor in a production process (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 the production function is Cobb-Douglas and capital doubles as well**
- E) Output will double if the production function is CRS

Lecture 9: Question 3

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 9: Question 4

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**
- D) **lower taxes lead to higher tax revenue**
- E) taxes will lead to higher inflation

Lecture 10: Question 1

According to Kaldor's stylized facts

- A) per capital output stays constant over time and the growth rates does not trend to diminish
- B) per capita output grows over time and the growth rates do trend 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 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

Lecture 10: 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 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

Lecture 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

Lecture 12: 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 small increase in the depreciation rate can cause 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 12: Question 2

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 13: 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 13: 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 14: Question 1

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 14: Question 2

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 fiscal policy**
- E) none of the above

Lecture 15: Question 1

Investment is

- A) pro-cyclical and fluctuations 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 15: 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 16: 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 16: Question 2

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

A) **True**

B) False

Lecture 16: 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 16: Question 4

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 17: Question 1

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

A) True

B) **False**

Lecture 17: Question 2

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 16: Question 3

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 18: 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 to slow down economic growth
- D) the Fed selling bonds to grow the economy
- E) **none of the above**

Lecture 18: Question 2

An open market sale will increase the interest rate.

A) **True**

B) False

Lecture 19: Question 1

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

Lecture 19: Question 2

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

A) True

B) **False**

Lecture 19: Question 3

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

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

Lecture 19: Question 4

Quantitative easing refers to a practice where the Fed slowly removes money from the economy to fight inflation.

A) True

B) **False**

Lecture 20: Question 1

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 20: Question 2

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 20: Question 3

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**

Lecture 21: Question 1

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

A) True

B) False

Lecture 21: Question 2

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

A) True

B) False