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**

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

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)

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

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 accou**nts

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**