Name: ___________________________ Date: _____________

1. A temporary decrease in consumer spending causes:
   A) a decrease in the Solow growth rate.
   B) a leftward shift of the *SRAS* curve.
   C) a decrease in growth rate of velocity of money
   D) an increase in growth rate of money supply

2. What are factors that increase the dynamic aggregate demand curve?
   A) decreased imports and lower taxes
   B) higher government spending and increased exports
   C) faster money growth rate and increased wealth
   D) All of the answers are correct.

3. What is taking place when an economy experiences quick changes that have large effects on productivity?
   A) economic shocks
   B) geographic capital fluctuations
   C) decreases in aggregate demand
   D) time bunching

4. A hurricane that damages buildings and roadways in the Gulf Coast is considered a:
   A) positive shock to the economy.
   B) negative shock to the economy.
   C) negative transmission mechanism.
   D) positive transmission mechanism.

5. When a war breaks out in the Middle East and causes an oil shock, what makes the shock so costly to deal with?
   A) There is uncertainty on how long the war will last.
   B) The economic shock is unexpected.
   C) Many countries experience the shock at the same time.
   D) Agricultural productivity plummets.

6. What economic effect has people allocating consumption across time to bring the greatest return?
   A) sticky wage benefits
   B) irreversible investment
   C) intertemporal substitution
   D) labor adjustment cost

7. When an increase in government purchases increases aggregate demand, what happens to the Solow growth curve in the long run?
   A) It has a lower GDP growth rate than before the government purchases.
   B) It has the same GDP growth rate as before the government purchases.
   C) It has a higher GDP growth rate than it had before the government purchases.
   D) It has a GDP growth rate that continues to grow.

8. Beginning from an equilibrium in an *AD*-Solow growth curve model, a negative supply shock will cause:
   A) both real growth and inflation to increase.
   B) both real growth and inflation to decrease.
   C) real growth to increase and inflation to decrease.
   D) real growth to decrease and inflation to increase.

9. Productivity in a manufacturing economy could be significantly affected by:
   A) a rainfall shock.
   B) a weather shock.
   C) an oil shock.
   D) None of the answers are correct.

10. Economic forces that can amplify shocks across time and sectors of the economy are called:
    A) business cycles.
    B) recessions.
    C) shocks.
    D) transmission mechanisms.

Answer Key

1. C
2. D
3. A
4. B
5. B
6. C
7. B
8. D
9. C
10. D