Chapter-03 - teatbank

Intermediate Macroeconomic Theory and Policy I (The University of Western Ontario)

Macroeconomics, 5e **(Williamson)**
Chapter 3   Business Cycle Measurement

1) The defining feature of business cycles is that they
A) are inherently bad.
B) represent the underlying trend of real GDP in the economy.
C) are fluctuations about trend in real GDP.
D) measure prospects for future growth in the economy.
Answer: C
Question Status: Previous Edition

2) The defining feature of business cycles is that they are
A) changes in the trend component of real GDP.
B) fluctuations about trend in real GDP.
C) fluctuations about trend in the unemployment rate.
D) fluctuations about trend in the level of employment.
Answer: B
Question Status: Previous Edition

3) A business cycle peak is a
A) small positive deviation from trend in real GDP.
B) relatively large positive deviation from trend in real GDP.
C) small negative deviation from trend in real GDP.
D) relatively large negative deviation from trend in real GDP.
Answer: B
Question Status: Previous Edition

4) A business cycle trough is a
A) small positive deviation from trend in real GDP.
B) relatively large positive deviation from trend in real GDP.
C) small negative deviation from trend in real GDP.
D) relatively large negative deviation from trend in real GDP.
Answer: D
Question Status: Previous Edition

5) A turning point is
A) a change in policy.
B) a peak or a trough.
C) a boom or a recession.
D) a zero deviation from trend.
Answer: B
Question Status: Previous Edition

6) Business cycle persistence refers to the property that
A) real GDP is rarely exactly at trend.
B) booms and recessions last a long time.
C) when real GDP is above trend, it tends to stay above trend, and when it is below trend, it tends to stay below trend.
D) business cycles are persistently hard to predict.
Answer: C
Question Status: Previous Edition

7) The frequency of the business cycle refers to
A) how variable it is.
B) how large the deviations from trend are.
C) how long a cycle lasts.
D) how much it leads or lags.
Answer: C
Question Status: Previous Edition

8) A recession is a series of
A) negative growth rates.
B) below trend values.
C) troughs.
D) declining deviations from trend.
Answer: B
Question Status: Previous Edition

9) A boom is a series of
A) increasing deviations from trend.
B) peaks.
C) above trend values.
D) positive growth rates.
Answer: C
Question Status: Previous Edition

10) Which of the following is **NOT** a feature of recent U.S. business cycles?
A) The time series of deviations from trend in real GDP is quite choppy.
B) The time series of deviations from trend in real GDP is quite smooth.
C) There is no regularity to the amplitude of fluctuations in real GDP above trend.
D) There is no regularity to the frequency of fluctuations in real GDP above trend.
Answer: B
Question Status: Previous Edition

11) Predicting business cycles is difficult because
A) they are very persistent.
B) the weather changes unpredictably.
C) statistics lie.
D) their frequency is irregular.
Answer: D
Question Status: Previous Edition

12) Before 2000, the three most recent U.S. recessions occurred in
A) 1969-1973, 1979-1982, and 1994-1995.
B) 1973-1975, 1982-1985, and 1990-1991.
C) 1973-1975, 1981-1982, and 1990-1991.
D) 1981-1982, 1990-1991, and 1998-1999.
Answer: C
Question Status: Previous Edition

13) The official dating of the most recent recession places its timing as
A) 2007.
B) 2007-2009.
C) 2008.
D) 2008-2009.
Answer: D
Question Status: Revised

14) The essential approaches to macroeconomic forecasting include all of the following **except**
A) crystal ball forecasting.
B) judgmental forecasting.
C) model forecasting.
D) statistical forecasting.
Answer: A
Question Status: Previous Edition

15) An example of a statistical model is the
A) WHARTON model.
B) Bayesian vector autoregression model.
C) DRI (Data Resources Incorporated) model.
D) Keynesian model.
Answer: B
Question Status: Previous Edition

16) The property that macroeconomic variables fluctuate together in patterns that exhibit strong regularities is called
A) coincidence.
B) co-movement.
C) correlation.
D) coexistence.
Answer: B
Question Status: Previous Edition

17) A time series is
A) the length of a business cycle.
B) a macroeconomic aggregate that does not lead or lag the business cycle.
C) data that is subject to revision.
D) a sequence of dated measurements.
Answer: D
Question Status: Previous Edition

18) Robert Lucas has popularized the notion that with respect to
A) severity, business cycles are all alike.
B) causation, business cycles are all alike.
C) quantitative behavior of co-movements among series, business cycles are all alike.
D) qualitative behavior of co-movements among series, business cycles are all alike.
Answer: D
Question Status: Previous Edition

19) Positive correlation between x and y implies that
A) when x is high, y is high.
B) when x is high, y is low.
C) when x is zero, y is positive.
D) x and y are positively unrelated.
Answer: A
Question Status: Previous Edition

20) When a macroeconomic aggregate is procyclical
A) it grows faster than GDP.
B) its deviations from trend generally change before the deviations from trend in GDP do.
C) its deviations from trend generally change more that the deviations from trend in GDP.
D) its deviations from trend are more often of the same sign as the deviations from trend in GDP.
Answer: D
Question Status: Previous Edition

21) Negative correlation between x and y implies that
A) when x is high, y is high.
B) when x is high, y is low.
C) $xy < 0$.
D) $x/y < 0$.
Answer: B
Question Status: Previous Edition

22) If the correlation between GDP and y is 0.55, we say y is
A) procyclical.
B) acyclical
C) countercyclical
D) tricyclical
Answer: A
Question Status: New

23) If the correlation between GDP and y is -0.75, we say y is
A) procyclical.
B) acyclical
C) countercyclical
D) tricyclical
Answer: C
Question Status: New

24) If the correlation between GDP and y is 0.05, we say y is
A) procyclical.
B) acyclical
C) countercyclical
D) tricyclical
Answer: B
Question Status: New

25) A lagging variable can be recognized by the fact that
A) its persistence is smaller than that of GDP.
B) its turning points happen before the turning points of GDP.
C) the turning points of GDP happen before its turning points.
D) its persistence is larger than that of GDP.
Answer: C
Question Status: Previous Edition

26) If deviations from trend in a macroeconomic variable are positively correlated with deviations from trend in real GDP, that variable is said to be
A) useful in predicting future movements in real GDP.
B) procyclical.
C) countercyclical.
D) acyclical.
Answer: B
Question Status: Previous Edition

27) A scatterplot is
A) a graph highlighting leads and lags.
B) a graph with one series on each axis.
C) a graph of one series against time.
D) a graph of two series against time.
Answer: B
Question Status: Previous Edition

28) A scatterplot allows
A) to mark peaks and troughs.
B) to determine whether a series leads or lags.
C) to see the comovement between two time series.
D) to determine how persistent a series is.
Answer: C
Question Status: New

29) If deviations from trend in a macroeconomic variable are negatively correlated with deviations from trend in real GDP, that variable is said to be
A) useless in predicting future movements in real GDP.
B) procyclical.
C) countercyclical.
D) acyclical.
Answer: C
Question Status: Previous Edition

30) If a macroeconomic variable tends to aid in predicting the future path of real GDP, it is said to be a
A) convenient variable.
B) coincident variable.
C) leading variable.
D) lagging variable.
Answer: C
Question Status: Previous Edition

31) If real GDP helps to predict the path of a particular macroeconomic variable, it is said to be a
A) conventional variable.
B) coincident variable.
C) leading variable.
D) lagging variable.
Answer: D
Question Status: Previous Edition

32) An example of a leading variable in the US is
A) GDP.
B) investment is structures.
C) the consumer price index.
D) housing starts.
Answer: D
Question Status: New

33) Forecasting the future path of real GDP by exploiting past statistical relationships
A) is never very reliable.
B) can be accomplished by the construction and use of an index of leading variables.
C) can be accomplished by the construction and use of an index of lagging variables.
D) can be accomplished by the construction and use of an index of coincident variables.
Answer: B
Question Status: Previous Edition

34) Real consumption tends to be
A) procyclical and less variable than real GDP.
B) procyclical and more variable than real GDP.
C) countercyclical and less variable than real GDP.
D) countercyclical and more variable than real GDP.
Answer: A
Question Status: Previous Edition

35) Real investment tends to be
A) procyclical and less variable than real GDP.
B) procyclical and more variable than real GDP.
C) countercyclical and less variable than real GDP.
D) countercyclical and more variable than real GDP.
Answer: B
Question Status: Previous Edition

36) Employment tends to be
A) procyclical and less variable than real GDP.
B) procyclical and more variable than real GDP.
C) countercyclical and less variable than real GDP.
D) countercyclical and more variable than real GDP.
Answer: A
Question Status: Previous Edition

37) Employment tends to
A) lead the cycle.
B) be coincident with the cycle.
C) lag the cycle.
D) sometimes lead, sometimes lag the cycle.
Answer: C
Question Status: Previous Edition

38) Average labor productivity is computed as the
A) ratio of industrial production to the employment rate.
B) ratio of real output in manufacturing to the level of real GDP.
C) ratio of real GDP to the unemployment rate.
D) ratio of real GDP to the level of employment.
Answer: D
Question Status: Previous Edition

39) Average labor productivity tends to be
A) procyclical and less variable than real GDP.
B) procyclical and more variable than real GDP.
C) countercyclical and less variable than real GDP.
D) countercyclical and more variable than real GDP.
Answer: A
Question Status: Previous Edition

40) One example of a Phillips Curve would be a
A) positive relationship between deviations from trend in real and nominal interest rates.
B) negative relationship between deviations from trend in real and nominal interest rates.
C) positive relationship between deviations from trend in the level of prices and the level of aggregate economic activity.
D) negative relationship between deviations from trend in the level of prices and the level of aggregate economic activity.
Answer: C
Question Status: Previous Edition

41) A reverse Phillips Curve would consist of a
A) positive relationship between deviations from trend in real and nominal interest rates.
B) negative relationship between deviations from trend in real and nominal interest rates.
C) positive relationship between deviations from trend in the level of prices and the level of aggregate economic activity.
D) negative relationship between deviations from trend in the level of prices and the level of aggregate economic activity.
Answer: D
Question Status: Previous Edition

42) For the period 1947-2009 in the United States, the price level was
A) acyclical.
B) bicyclical.
C) procyclical.
D) countercyclical.
Answer: D
Question Status: Revised

43) For the period 1947-2009 in the United States, the price level
A) was uncorrelated with real GDP.
B) led changes in real GDP.
C) was coincident with changes in real GDP.
D) lagged changes in real GDP.
Answer: C
Question Status: Revised

44) For the period 1947-2009 in the United States, the money supply was
A) procyclical and leading.
B) procyclical and lagging.
C) countercyclical and leading.
D) countercyclical and lagging.
Answer: A
Question Status: Revised

45) The observation that the money supply is procyclical and leading the level of aggregate economic theory is most closely associated with
A) Lucas and Friedman.
B) Friedman and Schwartz.
C) Kydland and Prescott.
D) David Runkle.
Answer: B
Question Status: Previous Edition

46) For the period 1947-2009, the behavior of the U.S. money supply is best characterized as
A) nearly constant over time.
B) somewhat smoother than GDP.
C) somewhat more volatile than GDP.
D) extremely volatile and unstable.
Answer: B
Question Status: Revised

47) For the period 1947-2009, employment in the United States was
A) procyclical and leading.
B) procyclical and lagging.
C) countercyclical and leading.
D) countercyclical and lagging.
Answer: B
Question Status: Revised

48) The weight of empirical evidence suggests that in the United States, the real wage rate is
A) acyclical.
B) bicyclical.
C) procyclical.
D) countercyclical.
Answer: C
Question Status: Previous Edition

49) Difficulties in determining the cyclical pattern in real wage rates from aggregate data are primarily caused by biases due to
A) substitution behavior.
B) substantial differences across different business cycles.
C) variations in the composition of the labor force over the business cycle.
D) changing policy responses to business cycles.
Answer: C
Question Status: Previous Edition

50) Which of the following is not a correct characterization of the U.S. business cycle?
A) Employment is procyclical.
B) Consumption is procyclical.
C) Real wages are procyclical.
D) Prices are procyclical.
Answer: D
Question Status: Previous Edition

51) Which of the following is not a correct characterization of the U.S. business cycle?
A) Money is countercyclical.
B) Employment is procyclical.
C) Labor productivity is procyclical.
D) Prices are countercyclical.
Answer: A
Question Status: Previous Edition

52) Which of the following is not a correct characterization of the U.S. business cycle?
A) Investment fluctuates less than GDP.
B) Consumption fluctuates less than GDP.
C) Employment fluctuates less than GDP.
D) Average labor productivity fluctuates less than GDP.
Answer: A
Question Status: Previous Edition

53) Which of the following is not a correct characterization of the U.S. business cycle?
A) Employment lags GDP.
B) Consumption is coincident.
C) Money lags GDP.
D) Investment is coincident.
Answer: C
Question Status: Previous Edition

54) Which of the following is not a correct characterization of the U.S. business cycle?
A) Prices are procyclical.
B) Consumption fluctuates little.
C) Investment fluctuates a lot.
D) Average labor productivity is procyclical.
Answer: A
Question Status: Previous Edition

55) Which of the following is not a correct characterization of the U.S. business cycle?
A) Employment is procyclical.
B) GDP lags.
C) Wages are procyclical.
D) Money is procyclical.
Answer: B
Question Status: Previous Edition

56) Which of the following is not a correct characterization of the U.S. business cycle?
A) Investment is procyclical.
B) Consumption is procyclical.
C) Investment fluctuates a lot.
D) Consumption fluctuates a lot.
Answer: D
Question Status: Previous Edition

57) How should the seasonality of the data be treated?
A) It should be left in the data.
B) It should be removed from the data.
C) It should be added to the data.
D) It does not matter for business cycle analysis.
Answer: B
Question Status: Previous Edition

58) Why should data be seasonally adjusted for business cycle analysis?
A) Weather fluctuations make forecasts more difficult.
B) Students are not part of the labor force when they study full-time.
C) Students are part of the labor force while they work in the summer.
D) A four quarter cycle needs to be analyzed separately.
Answer: D
Question Status: Previous Edition

59) The Great Moderation is
A) a period with lower consumption growth.
B) a period of tight monetary policy.
C) a period of smaller economic fluctuations.
D) a period of fiscal restraint by the US government.
Answer: C
Question Status: New

60) The Great Moderation happened in
A) 1973-1981.
B) 1982-2008.
C) 1939-1945.
D) 1958-1961.
Answer: B
Question Status: New