

Macro review test essay sample

[Finance](#), [Financial Analysis](#)



1. Two economists, Smith and Jones, are discussing the currently high unemployment rate. Smith says that something ought to be done quickly because the economy may not be able to restore itself to full employment. Jones says that it is better to take a “hands-off” approach. Which of the following is most likely to be true? a. Smith and Jones are most likely both Keynesian economists with a few minor differences of opinion. b. Smith and Jones are most likely both classical economists with a few minor differences of opinion. c. Jones is likely to be a Keynesian economist and Smith is likely to be a classical economist. d. Smith is likely to be a Keynesian economist and Jones is likely to be a classical economist. e. none of the above.

Q16, Chapter 10,

2. Autonomous consumption is

a. the change in consumption that results as a person’s (or nation’s) income increases or decreases. b. that portion of total consumption that is dependent upon the level of income. c. the steady increase in the consumption of goods and services that automatically occurs as a person grows from a child to an adult. d. that portion of total consumption that is independent of the level of income. Q 20, Chp 10

3. If income rises from \$1, 000 to \$1, 400 and consumption rises from \$800 to \$1, 175, the marginal propensity to consume is _____ percent. a. 6.

25

b. 85

c. 15

d. 93. 75

Q 25, Chp 10

4. If income rises from \$1, 000 to \$1, 800 and consumption rises from \$1, 100 to \$1, 700, the marginal propensity to save (MPS) is
- a. 0. 25.
 - b. 0. 75.
 - c. 4. 00.
 - d. 2. 00.

Q 29, Chp 10

5. Here is a consumption function: $C = C_0 + MPC(Y_d)$. If MPC is 0. 80, then we know that
- a. as Y_d rises by \$1, C_0 rises by \$0. 80.
 - b. as Y_d rises by \$1, C rises by \$0. 80.
 - c. Y_d rises by \$0. 80.
 - d. as C_0 rises by \$0. 80, Y_d rises by \$1.

Q 30 Chp 10

6. Here is a consumption function: $C = C_0 + MPC(Y_d)$. If $C_0 = \$200$, then we know that
- a. if Y_d is zero, C will be \$200.
 - b. when Y_d rises, C rises by \$200.
 - c. when Y_d falls, C falls by MPC times C_0 .
 - d. C will always equal C_0 .

Q31, Chp 10

7. When the $MPC = 0. 9$, the multiplier is
- a. 0. 20.
 - b. 1. 25.
 - c. 2. 50.
 - d. 5. 00.

e. 10. 00.

Q40, Chp 10

8. If an economy consumes 75 percent of any increase in income, then an increase in autonomous investment of \$1 billion could result in an increase in Real GDP of as much as a.\$1. 0 billion..

b.\$4. 0 billion.

c.\$5. 0 billion.

d.\$1. 8 billion.

e.\$6. 0 billion.

Q46, Chp 10

9. If the purchase and sale of a currently illegal drug, such as marijuana, were decriminalized, we would expect a. an increase in demand and supply of this drug.

b. an increase in demand and a decrease in supply of this drug. c. a decrease in demand and an increase in supply of this drug. d. a decrease in demand and supply of this drug.

Q2, Chp5

10. If the purchase and sale of marijuana become legalized

a. the equilibrium price and quantity will both rise.

b. the equilibrium price will fall, but the change in equilibrium quantity depends upon whether the demand curve shifts more or the supply curve shifts more. c. the equilibrium quantity will rise, but the change in equilibrium price depends upon whether the demand curve shifts more or

the supply curve shifts more. d. the equilibrium price and quantity will both fall.

Q3, Chp 5

11. If the government decided to legalize the purchase and sale of marijuana, the equilibrium quantity would _____ and the price would _____ if the supply of marijuana increased by _____ than the demand for marijuana increased. a. fall; fall; more

b. fall; rise; more

c. rise; fall; more

d. rise; fall; less

e. none of the above

Q4 Chp 5

12. Since most colleges and universities charge the same tuition to every student regardless of what time students choose to take their classes, a. the schools must develop some type of non-price rationing device. b. it follows that all classes will have a shortage of seats. c. it follows that all classes will have a surplus of seats. d. it follows that some classes will likely have a shortage of seats while other classes may have a surplus of seats. e. a and d

Q 5 Chp 5

13. The space on the freeway is fixed at any instant of time. A supply curve that shows this is a. perfectly horizontal.

b. upward sloping.

c. downward sloping.

d. perfectly vertical.

Q 6, Chp 5

14. If more people join carpools and travel to work together a. the demand curve for freeway space shifts leftward.

b. the supply curve for freeway space shifts rightward.

c. the supply curve for freeway space shifts leftward.

d. a and b

e. none of the above

Q8, Chp5

15. A toll of \$1 per car is imposed on a road regardless of time of day. If the toll creates equilibrium travel flows at the busiest time of day, it will create a _____ at all other times. a. surplus of space

b. shortage of space

c. zero money price for space

d. zero opportunity cost for space

Q9, Chp5

16. The lower the price of medical care in general, the higher the _____ medical care and the _____

specific items that make up medical care (such as x-rays). The result will be a _____ price for the specific items that make up medical care. a.

quantity demanded of; higher the demand for; higher

b. demand for; higher the demand for; higher

c. quantity demanded of; lower the demand for; lower

d. demand for; higher the quantity demanded of; higher

Q16, Chp5

17. If the CPI is 100 in the base year and 150 in the current year, how much did prices rise between these two years? a. | 50 percent|

b. | 150 percent|

c. | 1. 50 percent|

d. | 0. 15 percent|

Q2, Chp6

18. Suppose the market basket consists of 10X, 20Y, and 30Z. Current-year prices are \$1. 20 for each unit of X, \$0. 96 for each unit of Y, and \$1. 30 for each unit of Z. Base-year prices are \$1. 00 for each unit of X, Y, and Z.

What is the approximate CPI in the current year? a. | 17|

b. | 70. 20|

c. | 117|

d. | 270Q3 Chp6|

19. In year 1 the CPI is 130. 1, and in year 2 the CPI is 150. From year 1 to year 2, Martha’s salary rises from \$32, 000 to \$35, 000, and Chiang’s salary rises from \$43, 000 to \$53, 000. Who is “ more than keeping up with inflation”? a. | Martha|

b. | Chiang|

c. | both Martha and Chiang|

d. | neither Martha nor ChiangQ6, Chp6|

20. The CPI was 138 in one year and 146 the following year. Approximately how much did prices rise between the two years? a. 4. 29 percent

b. 5. 5 percent

c. 5.08 percent

d. 5.8 percent

Q1. Chp6

21. In year 1 the CPI is 141, and in year 2 the CPI is 150. If Dennis's salary was \$75,000 in year 1, what is the minimum salary he must earn in year 2 to "more than keep up with inflation"? a. | \$112,500 |

b. | \$79,785 |

c. | \$105,750 |

d. | \$80,247 | Q8, Chp6 |

22. The civilian non-institutional population consists of everyone in the population who is a. | at least 16 years of age, in the armed forces, or institutionalized. | b. | at least 16 years of age. |

c. | not in the armed forces. |

d. | not institutionalized. |

e. | b, c, and d | Q19, Chp6 |

23. The unemployment rate equals the

a. number of unemployed persons divided by the civilian labor force b.

number of unemployed persons divided by the civilian non-institutional

population c. number of unemployed persons divided by the civilian labor

force d. sum of unemployed persons and discouraged workers divided by the

civilian labor force Q27, Chp6

24. Gross Domestic Product (GDP) is the total market value of all a. final goods and services produced annually within a country's borders. b. final and intermediate goods and services produced annually within a country's borders. c. intermediate goods and services produced annually within a country's borders. d. final goods and services produced every month within a country's borders. Q1, Chp7

25. Underground activities are not counted in GDP because

a. some underground activities are illegal and the government doesn't want to place, for instance, drug dealers on an equal footing with small businesses. b. there are no written records of underground activities.

c. of a decision made in the 1930s and no one has gotten around to changing it yet. d. although it is possible to accurately measure underground activities, it is harder than measuring above-ground activities because with the latter, one doesn't have to dig as deep. Q6, Chp7

26. Suppose the total market value of all final goods and services produced this year in economy X is \$4 million. Of the \$4 million worth of goods, \$3 million is sold and \$1 million is held in inventory. For this year, the GDP for economy X is a.\$4 million.

b.\$3 million.

c.\$1 million.

d.\$7 million.

e. none of the above

Q14, Chp7

27. Look at the following data: durable goods = \$200 billion; nondurable goods = \$350 billion; services = \$600 billion; fixed investment + inventory investment = \$200 billion; government purchases = \$400 billion; exports = \$30 billion; imports = \$79 billion. GDP is equal to a.\$1, 701 billion.

b.\$1, 201 billion.

c.\$1, 859 billion.

d.\$1, 010 billion.

e. There is not enough information to answer the question.

Q47, Chp7

28. What is the proper sequence of the phases of a business cycle? a. peak, contraction, trough, expansion, recovery

b. peak, contraction, recovery, trough, expansion

c. peak, contraction, trough, recovery, expansion

d. contraction, peak, trough, recovery, expansion

e. recovery, trough, peak, expansion, contraction

Q48, Chp7

29. What does annual economic growth refer to?

a. annual increases in GDP

b. annual increases in consumption spending

c. annual increases in investment spending

d. annual increases in Real GDP

e. none of the above

Q49, Chp7

30. The sum of durable goods, nondurable goods, and services equals a. investment.
- b. fixed investment.
 - c. government purchases.
 - d. consumption.
 - e. net exports.

Q50, Chp7

31. A rise in aggregate demand and a fall in short-run aggregate supply will definitely a. raise the price level, but there is not enough information to know how Real GDP will change. b. lower Real GDP, but there is not enough information to know how the price level will change. c. raise the price level and Real GDP.
- d. raise Real GDP, but there is not enough information to know how the price level will change.
 - e. raise the price level and lower Real GDP.

Q35, Chp8

32. If consumption increases,
- a. the SRAS curve will shift rightward, which will push the price level up.
 - b. the SRAS curve will shift leftward, which will push the price level up.
 - c. the AD curve will shift leftward, which will push the price level down.
 - d. the AD curve will shift rightward, which will push the price level up.
- Q36, Chp8

33. Short-run equilibrium exists
- a. where the AD curve intersects the short-run aggregate supply (SRAS) curve.
 - b. where the AD curve intersects the long-run aggregate supply

(LRAS) curve. c. on the AD curve only.

d. on the SRAS curve only.

Q37, Chp8

34. An increase in the price level

a. shifts the AD curve to the right.

b. shifts the AD curve to the left.

c. causes an upward movement along the existing AD curve.

d. causes a downward movement along the existing AD curve.

e. a and c

Q38a, Chp8

35. An increase in investment at a given price level

a. shifts the AD curve to the right.

b. shifts the AD curve to the left.

c. causes an upward movement along the existing AD curve.

d. causes a downward movement along the existing AD curve.

e. none of the above

Q38b, Chp8

36. A decrease in consumption at a given price level

a. shifts the AD curve to the right.

b. shifts the AD curve to the left.

c. causes an upward movement along the existing AD curve.

d. causes a downward movement along the existing AD curve.

e. none of the above.

Q39, Chp8

37. The real balance effect is the change in

- a. purchasing power that results from a change in income.
- b. the amount of money one has that results from a change in income.
- c. purchasing power that results from a change in the price level.
- d. the amount of money one has that results from a change in the price level.
- e. none of the above

Q40, Chp8

38. The short-run aggregate supply curve shows the various amounts of real output that producers are willing to

- a. sell at different profit levels.
- b. sell at different price levels.
- c. buy at different income levels.
- d. buy at different price levels.

Q41, Chp8

39. The AD curve shows that, as the price level falls, the quantity of

- a. GDP demanded increases.
- b. GDP demand decreases.
- c. Real GDP demanded increases.
- d. Real GDP demanded decreases.
- e. none of the above

Q43, Chp8

40. If the nominal wage is \$40 and the price level (as measured by a price index) is 2.5, it follows that the real wage is

- a. \$100.00.
- b. \$16.00.

- c. \$2.50.
- d. \$10.00.
- e. none of the above

Q50, Chp8

41. When the economy is at its full employment Real GDP, the unemployment rate is equal to
- a. zero.
 - b. the natural unemployment rate.
 - c. the frictional unemployment rate.
 - d. the structural unemployment rate.

Q1, Chp9

42. If Real GDP is less than Natural Real GDP, the economy is in
- a. an inflationary gap.
 - b. a recessionary gap.
 - c. an unemployment gap.
 - d. a real gap

Q3, Chp9

43. If the natural unemployment rate is 7 percent and the current unemployment rate is 5 percent, then the economy is
- a. producing more Real GDP than it does at full employment.
 - b. in a recessionary gap.
 - c. producing less Real GDP than it does at full employment.
 - d. a and b
 - e. b and c

Q7, Chp9

44. The long-run aggregate supply (LRAS) curve is

- a. horizontal.
- b. vertical.
- c. positively sloped.
- d. negatively sloped.

Q8, Chp9

45. In a “ self-regulating” economy, inflationary and recessionary gaps a. never occur.

- b. are eliminated by forces internal to the economy, without government intervention.
- c. are eliminated by timely actions of economic policymakers.
- d. are the desirable results of microeconomic price adjustments. Q13, Chp9

46. The institutional production possibilities frontier illustrates the different combinations of goods that society can obtain given a. the constraints of finite resources and the current state of technology. b. the price level.

- c. its institutional constraints.
- d. the natural rate of unemployment.
- e. the constraints of finite resources and the current state of technology and institutional constraints. Q16, Chp9

47. A laissez-faire macroeconomic policy, based on a _____ in self regulating properties of the economy, implies _____ by the government.

- a. belief, active policymaking
- b. belief, noninterference
- c. disbelief, active policymaking

d. disbelief, noninterference

Q24, Chp9

48. A necessary condition for the economy to be self-regulating is that a. wages must be relatively high.

b. the labor market must always be in equilibrium.

c. the interest rate must be above its equilibrium level.

d. wages must be flexible in both an upward and downward direction. e.

none of the above

Q33, Chp9

49. According to Say's law, in a money economy a reduction in consumption spending causes a _____ shift of the saving curve and therefore a _____ in the interest rate. a. leftward; rise

b. leftward; fall

c. rightward; rise

d. rightward; fall

Q42, Chp9

50.

Suppose the economy is self-regulating, the price level is 120, the quantity demanded of Real GDP and the quantity supplied of Real GDP in the short run both equal \$5.7 trillion, and the quantity supplied of Real GDP in the long run is \$5.2 trillion. Given all of this information, we can conclude that the economy _____ in short run equilibrium, and that the price level in long run equilibrium will be _____ than 120. a. is not; less

b. is; more

c. is; less

d. is not; more

Q53, Chp9