

Question #1 of 87

Question ID: 1589790

When potential real GDP is less than actual real GDP, the economy is *most likely* experiencing:

- A) inflation.
 - B) recession.
 - C) underemployment.
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Question ID: 1589757

Which of the following models *most accurately* depicts the relationship among saving (S), private investment (I), the fiscal balance (G - T), and the trade balance (X - M)?

- A) $S = I + (G - T) - (X - M)$.
 - B) $S = I - (G - T) + (X - M)$.
 - C) $S = I + (G - T) + (X - M)$.
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Question ID: 1589772

When national income in an important trading partner's economy increases, aggregate demand in the domestic economy is *most likely* to:

- A) increase because foreign consumers will tend to buy more export goods from the domestic country.
 - B) decrease because interest rates in the domestic economy will tend to increase.
 - C) decrease because foreign consumers will tend to buy less export goods from the domestic country.
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Question ID: 1589796

From an initial long-run equilibrium, if aggregate demand increases while short-run aggregate supply decreases, the price level:

- A) will increase.
 - B) may increase or decrease.
 - C) will decrease.
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Question ID: 1589794

Can an economy that is at long-run equilibrium adjust to produce real GDP which is greater than full-employment real GDP in the short run?

- A) No.
 - B) Yes, if aggregate demand increases.
 - C) Yes, if wages increase.
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Question ID: 1589771

The sustainable growth rate of real GDP is *most likely* to be increased by:

- A) an increase in the propensity to consume by households.
 - B) an increase in government spending.
 - C) the discovery of untapped oil fields.
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Which of the following events is *least likely* to cause a decrease in short-run aggregate supply?

- A) Inflation increases from 4% to 7%.
 - B) Oil exporting countries reduce their production levels.
 - C) A labor stoppage causes the price of steel to rise.
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Question ID: 1589735

Which method of calculating gross domestic product requires data from each stage of production of goods?

- A) Value of final output method.
 - B) Sum of value added method.
 - C) Income method.
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Question ID: 1589797

If both aggregate demand and short-run aggregate supply increase, real GDP:

- A) will increase.
 - B) will decrease.
 - C) may increase or decrease.
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Question #10 of 87

Question ID: 1589731

Which of the following *least* accurately describes a component of gross domestic product?

- A) Investment.
 - B) Consumption.
 - C) Net imports.
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Question ID: 1589728

Which of the following items is *most likely* to be included in gross domestic product at an estimated value?

- A) Owner-occupied housing.
 - B) Services provided by government.
 - C) Maintenance of rental properties.
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Question ID: 1589734

A shirt with a retail price of \$50 is produced using cloth with a value of \$40. The cloth is produced from cotton with a value of \$30. Using the sum-of-value-added method, what is the total value added to gross domestic product by producing the shirt?

- A) \$70.
 - B) \$50.
 - C) \$20.
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Question ID: 1589753

If the government is running a budget deficit, which of the following relationships are *least likely* to occur in the economy at the same time?

Exports relative to imports

Savings relative to investment

- | | |
|----------------------|--------------------------------------|
| A) exports < imports | private savings > private investment |
| B) exports > imports | private savings < private investment |
| C) exports < imports | private savings < private investment |

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Question ID: 1589793

If the economy is in short-run disequilibrium below full employment, the *most likely* explanation is that:

- A) aggregate demand has decreased.
 - B) long-run aggregate supply has decreased.
 - C) money wage rates have decreased.
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The long-run aggregate supply curve is *best* described as:

- A) elastic because most input prices are variable in the long run.
 - B) perfectly elastic because input prices are sticky in the long run.
 - C) perfectly inelastic because input prices change proportionately with the price level in the long run.
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Other things equal, aggregate demand is *most likely* to decrease as a result of a decrease in:

- A) taxes.
 - B) the money supply.
 - C) the foreign exchange value of the domestic currency.
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