Test Bank for Macroeconomics CDN 8th Dornbusch

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Macroeconomics 8ce Edition by Dornbusch Ch01

1) Which of the following is NOT a central issue in macroeconomics?

A) How should the central bank of a country fight inflation?
B) What is responsible for high and persistent unemployment?
C) How do tax changes influence consumers' choices of what to buy?
D) What factors determine economic growth?
E) What can or should the government do to stabilize the economy?

Question Details
Accessibility : Keyboard Navigation
Topic : 01-01 1-1 Macroeconomics Encapsulated in Three Models
Difficulty : Easy

2) Macroeconomics does NOT focus on

A) policies that affect consumption and saving
B) policies that affect the performance of health care providers
C) the determination of changes in wages and prices
D) the determination of interest rates
E) none of these, all of them are macroeconomic issues

Question Details
Accessibility : Keyboard Navigation
Topic : 01-01 1-1 Macroeconomics Encapsulated in Three Models
Difficulty : Easy

3) Which of the following is a Macroeconomic issue?

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A) the effect of agricultural subsidies on the price of milk
B) differences between the market for skilled labour versus the market for unskilled labour
C) issues related to the structure and performance of the health care sector
D) policies that affect the level of aggregate consumption
E) issues related to the deregulation of the telecommunications industry

Question Details
Accessibility : Keyboard Navigation
Topic : 01-01 1-1 Macroeconomics Encapsulated in Three Models
Difficulty : Easy
null : Dornbusch - Chapter 01

4) Which of the following is NOT a True fact about Canadian economy?

A) Over the past 60 years, the Canadian economy has grown at an average of 3.1% each year.
B) The overall price level increased by about 20% over each of the past three decades.
C) Prices are more than doubled in the 1970s.
D) The unemployment rate may be twice as high in a bad year than what it is in a good year.
E) The unemployment rate increased about 20% over each of the past three decades.

Question Details
Accessibility : Keyboard Navigation
Topic : 01-01 1-1 Macroeconomics Encapsulated in Three Models
Difficulty : Easy

5) In studying growth theory, we

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A) assume that labour, capital, and raw materials are all used efficiently
B) assume that increased use of inputs cannot lead to a higher living standard
C) assume that technological advances cannot affect living standards
D) try to explain the reasons for recessions and booms
E) assume that price is fixed

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-02 The Very Long Run: Growth

6) Which of the following factors does NOT contribute to economic growth?

A) the availability of resources such as labour and capital
B) increases in the size of the population
C) the availability of new and better technology
D) increased knowledge gained through education or work experience
E) all of these options can increase economic growth

Question Details
Accessibility : Keyboard Navigation
Topic : 01-02 The Very Long Run: Growth
Difficulty : Medium

7) In studying growth, which of the following is a FALSE statement?

A) the very long run focuses on the growth of productive capacity
B) in the very long run, the productive capacity is assumed to be given
C) in the very short run, shifts in aggregate demand determine how much output is produced
D) fluctuations in the rates of inflation and unemployment are important long-run issues
E) at the full-employment level of output, capital is not used 100 percent

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-02 The Very Long Run: Growth

8) Government intervention into economic activity will NOT lead to a change in the price level

A) in the short-run model
B) in the medium-run model
C) in the very long-run model
D) in the short-run and medium-run model
E) in the long-run model

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-04 The Short Run: Fixed Prices

9) In the short run, the level of

A) output is determined by both aggregate demand and aggregate supply
B) output is determined by aggregate demand alone
C) prices will change if aggregate supply shifts
D) price is determined by aggregate demand alone
E) output is determined by aggregate supply alone

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-04 The Short Run: Fixed Prices

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10) In the simple macro model of this chapter, the long-run AS-curve is

A) horizontal
B) vertical
C) upward-sloping
D) assumed to be completely price elastic
E) Either vertical or upward-sloping, depending on how fast prices adjust

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-04 The Short Run: Fixed Prices

11) In the very long-run AD-AS model, if the AD-curve shifts to the left, then

A) prices and output will both decrease
B) prices and output will both increase
C) prices will decrease but output will remain the same
D) output will decrease but prices will remain the same
E) output will increase but prices will decrease

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-02 The Very Long Run: Growth

12) If an increase in aggregate demand causes prices to increase slightly but output to increase significantly, then

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A) the AS-curve must be very flat
B) the AD-curve must be very steep
C) the AD- and AS-curves must both be very steep
D) we must be looking at the very long-run AD-AS model
E) we must be looking at the short-run AD-AS model

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-04 The Short Run: Fixed Prices

13) In the very long-run AD-AS model,

A) only fiscal policy can affect both output and prices
B) only monetary policy can affect both output and prices
C) monetary policy can affect output but not prices
D) active stabilization policy is ineffective in changing output
E) the unemployment rate is always assumed to be zero

Question Details
Accessibility : Keyboard Navigation
Topic : 01-02 The Very Long Run: Growth
Difficulty : Medium

14) If a shift in the AD-curve has no impact on the price level, then

A) the unemployment rate must be extremely low
B) the AD-curve must be vertical
C) the AS-curve must be horizontal
D) the AS-curve must be vertical
E) The AD-curve must be horizontal

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-02 The Very Long Run: Growth

15) In the medium run, if GDP goes down but the price level goes up,

A) the AD-curve must have shifted to the right
B) the AD-curve must have shifted to the left
C) the AS-curve must have shifted to the right
D) the AS-curve must have shifted to the left
E) the AD-curve and the AS-curve must have both shifted to the right

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-05 The Medium Run

16) Which of the following is FALSE in the medium run?

A) a change in monetary policy can shift the AD-curve
B) a change in fiscal policy can shift the AD-curve
C) a change in fiscal policy can change output and prices
D) a change in monetary policy can change prices but not output
E) a change in labor productivity can shift the AS-curve

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Topic : 01-05 The Medium Run

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17) A change in which of the following will shift the AD-curve?

A) monetary or fiscal policy
B) the level of consumer confidence
C) the productive capacity of our economy
D) monetary or fiscal policy or the level of consumer confidence or the productive capacity of our economy
E) monetary or fiscal policy or the level of consumer confidence

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-05 The Medium Run

18) The position of the AS-curve depends on

A) fiscal policy
B) monetary policy
C) consumer confidence
D) the productive capacity of the economy
E) fiscal or monetary policy or consumer confidence

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-05 The Medium Run

19) Assume an economy that is currently at the full-employment level of output. If aggregate demand decreases, what should we expect in the medium run?

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A) a decrease in potential GDP and the price level
B) an increase in unemployment and the price level
C) a decrease in unemployment and the price level
D) an increase in unemployment and a decrease in the price level
E) a decrease in potential GDP and an increase in unemployment

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-05 The Medium Run

20) Potential GDP is the value of GDP that can be calculated if we assume that

A) there are no measurement errors
B) the unemployment rate is zero
C) the inflation rate is zero
D) GDP has been adjusted for inflation
E) the capital stock is working at full capacity and we have full employment

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-08 The Business Cycle and the Output Gap

21) The full-employment level of output is defined as

A) actual output plus the output gap
B) potential output plus the output gap
C) potential output minus the output gap
D) the level of output at zero unemployment rate
E) the level of output at zero inflation

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-08 The Business Cycle and the Output Gap

22) Real GDP can grow over time because of

A) an increase in the amount of labour used in the production process
B) an increase in the capital stock
C) efficiency improvements
D) productivity increases
E) all of these options are correct

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-07 Growth and GDP

23) The trend path of GDP can change because of efficiency improvements, which can result from

A) decreases in the unemployment rate
B) increases in the rate of capacity utilization
C) changes in knowledge
D) decreases in waste
E) increase in labour and capital stock

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Topic : 01-07 Growth and GDP

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24) The output gap shows the deviation of actual output from potential output and it

A) may be either positive or negative
B) will always be positive
C) increases as the unemployment rate decreases
D) becomes negative if the labor force grows faster than actual output
E) increases if inflation increases

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-08 The Business Cycle and the Output Gap

25) Which of the following can be responsible for a change in the output gap?

A) an increase in potential GDP
B) a decrease in actual GDP
C) a decrease in aggregate demand
D) an increase in aggregate demand
E) all of these options can lead to change in output gap

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-08 The Business Cycle and the Output Gap

26) If Canadian real GDP increases from 1.8 trillion one year to $1.9 trillion in the next year, which will be true?

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A) the GDP gap has probably become smaller
B) economic growth is below the long-term trend rate
C) economic growth is above the long-term trend rate
D) economic growth is about the same as the long-term trend rate
E) the GDP gap is close to 5 percent

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Topic : 01-07 Growth and GDP

27) Which of the following countries had the highest average annual per-capita real income growth rate from 1990 to 2019?

A) South Korea
B) China
C) Japan
D) Canada
E) The United States

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-07 Growth and GDP

28) Which of the following countries had the lowest average annual per-capita income growth rate from 1990 to 2019?

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A) Brazil
B) Zimbabwe
C) Japan
D) Canada
E) The United States

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-07 Growth and GDP

29) Japan's average growth rate of real GDP per capita from 1990 to 2019 was

A) more than twice as high as Canada
B) about the same as Canada
C) lower than Canada
D) higher than Canada but lower than South Korea
E) lower than Canada but higher than the United States

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-07 Growth and GDP

30) The average growth rate of real GDP per capita in Canada from 1990 to 2019 was about

A) 1.5 percent
B) 0.9 percent
C) 2.7 percent
D) 3.1 percent
E) 4.3 percent

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-07 Growth and GDP

31) Labour is fully employed when

A) everyone is working eight hours per day five days per week each year
B) everyone who wants to work can find a job within a reasonable amount of time
C) the unemployment rate is zero
D) the unemployment rate is below 3 percent
E) none of these options is correct

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-08 The Business Cycle and the Output Gap

32) Which of the following is the actual path of real GDP?

A) peak- recession- trough recovery
B) peak-recovery- trough-recession
C) peak-contraction-recovery
D) trough-recovery-contraction
E) peak-contraction-recovery-trough-recession

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-08 The Business Cycle and the Output Gap

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33) When the economy goes into a recession, we can generally expect that

A) inflation will decrease while output will increase
B) inflation will increase while unemployment will decrease
C) inflation and output will increase
D) inflation will decrease while unemployment will increase
E) inflation will not change while unemployment increase

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-10 The Business Cycle and Inflation

34) As the economy enters an expansion, we can generally expect that

A) inflation will decrease with little change in the unemployment rate
B) unemployment will increase and inflation will decrease
C) nominal GDP will increase but only because of an increase in the price level
D) inflation will increase and the unemployment rate will decrease
E) output will increase with little change in unemployment or inflation

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-10 The Business Cycle and Inflation

35) Which of the following is the correct economic definition of recession?

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A) output growth is below normal rate and unemployment is above normal rate
B) GDP could be climbing but below the trend
C) a period in the business cycle from peak to trough
D) a period in the business cycle from trough to peak
E) GDP is falling below the trend

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Topic : 01-09 Recession: Economics Jargon Versus the Popular Meaning

36) The CPI is defined as

A) the cost-price index, measuring cost increases to producers
B) the cross-price index, measuring the increase in relative prices of two different inputs used in the production process
C) a price index that measures the average price increase of all final goods and services produced
D) a price index that measures the cost of a given market basket of intermediate goods and raw materials
E) a price index that measures the cost of a market basket of goods representing the purchases of a typical urban consumer

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-10 The Business Cycle and Inflation

37) If we look at the inflation rate (as measured by the CPI) in Canada. from 1960 to 2019, we see that inflation was at its highest in the year

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A) 1960-1975
B) 1970-1985
C) 1980-1995
D) 1990-2015
E) 2000-2019

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Topic : 01-10 The Business Cycle and Inflation

38) Since 1960 the Canadian inflation rate measured by the CPI has

A) increased at a steady rate
B) remained remarkably constant
C) fluctuated widely and has even occasionally been negative
D) fluctuated around zero
E) always increased as the unemployment rate has declined

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Topic : 01-10 The Business Cycle and Inflation

39) Which of the following shows the reason why inflation is a major macroeconomic concern?

A) the cost of inflation is obvious to the general public
B) reducing inflation is desirable to the general public
C) inflation reduces the efficiency of the price system
D) inflation reduces wealth among groups
E) inflation increases unemployment

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-10 The Business Cycle and Inflation

40) When an economist indicates that the economy is no longer in a slump, he or she means to say that

A) nominal GDP is now above its trend path
B) the economy is currently growing at a rate above three percent
C) the economy has passed the worst of a recession and is now in the recovery phase
D) the economic cycle has reached its peak
E) none of these options are correct

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Topic : 01-09 Recession: Economics Jargon Versus the Popular Meaning

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Answer Key

Test name: Ch01

1) C
2) B
3) D
4) E
5) A
6) E
7) D
8) A
9) B
10) B
11) C
12) A
13) D
14) C
15) D
16) D
17) E
18) D
19) D
20) E
21) A
22) E
23) C
24) A
25) E
26) C

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27) B
28) B
29) C
30) A
31) B
32) A
33) D
34) D
35) C
36) E
37) B
38) C
39) C
40) E

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