Pool Canvas

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Add Multiple Choice GO Creation Settings

Name TestBanks Chapter 1 The Science of Macroeconomics
Description
Instructions

Modify

Add Question Here

Question 1 **Multiple Choice** **1 points** Modify Remove

Question
Macroeconomics does *not* try to answer the question of:

Answer
- why do some countries experience rapid growth.
- ✓ what is the rate of return on education.
- why do some countries have high rates of inflation.
- what causes recessions and depressions.

Add Question Here

Question 2 **Multiple Choice** **1 points** Modify Remove

Question
A typical trend during a recession is that:

Answer
- the unemployment rate falls.
- the popularity of the incumbent president rises.
- ✓ incomes fall.
- the inflation rate rises.

Add Question Here

Question 3 **Multiple Choice** **1 points** Modify Remove

Question
Macroeconomics is the study of the:

Answer
- activities of individual units of the economy.
- decision making by households and firms.
- ✓ economy as a whole.
- interaction of firms and households in the marketplace.

Add Question Here

Question 4 **Multiple Choice** **1 points** Modify Remove

Question
The study of the economy as a whole is called:

Answer
- household economics.
- business economics.
- microeconomics.
- ✓ macroeconomics.

Add Question Here

Question 5 **Multiple Choice** **1 points** Modify Remove

Question
Macroeconomists cannot conduct controlled experiments, such as testing various tax and expenditure policies, because:

Answer
- it is against the law.
- they tried it once and it did not work.
- ✓ they must make use of the data history gives them.
- economists already know the answers that would come out of the experiments.

Add Question Here

Question 6 **Multiple Choice** **1 points**

Modify
Remove

Question
The ability of macroeconomists to predict the future course of economic events:

Answer
✓ is no better than the meteorologist's ability to predict the next month's weather.
is much better than the meteorologist's ability to predict the next month's weather.
has gotten worse over time.
is less precise than it was in the 1920s.

Add Question Here

Question 7 **Multiple Choice** **1 points**

Modify
Remove

Question
Which of the combinations listed is ***not*** a U.S. president and an important economic issue of his administration?

Answer
President Carter, inflation
President Reagan, budget deficits
President G.H.W. Bush, budget deficits
✓ President Clinton, inflation

Add Question Here

Question 8 **Multiple Choice** **1 points**

Modify
Remove

Question
All of the following are types of macroeconomics data ***except*** the:

Answer
✓ price of an IBM computer.
growth rate of real GDP.
inflation rate.
unemployment rate.

Add Question Here

Question 9 **Multiple Choice** **1 points**

Modify
Remove

Question
All of the following are important macroeconomic variables ***except:***

Answer
real GDP.
the unemployment rate.
✓ the marginal rate of substitution.
the inflation rate.

Add Question Here

Question 10 **Multiple Choice** **1 points**

Modify
Remove

Question
The total income of everyone in the economy adjusted for the level of prices is called:

Answer
a recession.
an inflation.
✓ real GDP.
a business fluctuation.

Add Question Here

Question 11 **Multiple Choice** **1 points**

Modify
Remove

Question
A measure of how fast prices are rising is called the:

Answer
growth rate of real GDP.
✓ inflation rate.
unemployment rate.
market-clearing rate.

Add Question Here

Question 12 **Multiple Choice** **1 points**

Modify
Remove

Question
The inflation rate is a measure of how fast:

Answer
- the total income of the economy is growing.
- unemployment in the economy is increasing.
- ✓ prices in the economy are rising.
- the number of jobs in the economy is expanding.

Add Question Here

Question 13 **Multiple Choice** **1 points**

Modify
Remove

Question
Real GDP ______ over time and the growth rate of real GDP ______.

Answer
- ✓ grows; fluctuates
- is steady; is steady
- grows; is steady
- is steady; fluctuates

Add Question Here

Question 14 **Multiple Choice** **1 points**

Modify
Remove

Question
Two striking features of a graph of U.S. real GDP per capita over the twentieth century are the:

Answer
- ✓ overall upward trend interrupted by a large downturn in the 1930s.
- nearly constant level with a large downturn in the 1930s.
- downward trend in the first half of the century followed by the upward trend in the second half.
- constant level in the first half of the century followed by the upward trend in the second half.

Add Question Here

Question 15 **Multiple Choice** **1 points**

Modify
Remove

Question
In the U.S. economy today, real GDP per person, compared with its level in 1900, is about:

Answer
- 50 percent higher.
- twice as high.
- three times as high.
- ✓ eight times as high.

Add Question Here

Question 16 **Multiple Choice** **1 points**

Modify
Remove

Question
Recessions are periods when real GDP:

Answer
- increases slowly.
- increases rapidly.
- ✓ decreases mildly.
- decreases severely.

Add Question Here

Question 17 **Multiple Choice** **1 points**

Modify
Remove

Question
Compared with a recession, real GDP during a depression:

Answer
- increases more rapidly.
- increases at approximately the same rate.
- decreases at approximately the same rate.
- ✓ decreases more severely.

Add Question Here

Question 18 **Multiple Choice** **1 points**

Modify
Remove

Question
A severe recession is called a(n):

Answer
- ✓ depression.
- deflation.
- exogenous event.
- market-clearing assumption.

Add Question Here

Question 19 **Multiple Choice** **1 points** Modify Remove

Question
The inflation rate in the United States averaged about:

Answer
✓ zero between 1900 and 1950.
zero between 1950 and 2000.
10 percent between 1900 and 1950.
10 percent between 1950 and 2000.

Add Question Here

Question 20 **Multiple Choice** **1 points** Modify Remove

Question
Deflation occurs when:

Answer
real GDP decreases.
the unemployment rate decreases.
✓ prices fall.
prices increase, but at a slower rate.

Add Question Here

Question 21 **Multiple Choice** **1 points** Modify Remove

Question
A period of falling prices is called:

Answer
✓ deflation.
inflation.
a depression.
a recession.

Add Question Here

Question 22 **Multiple Choice** **1 points** Modify Remove

Question
A graph of the rate of inflation in the United States over the twentieth century shows:

Answer
an overall upward trend interrupted by a large downturn in the 1930s.
✓ some periods of deflation in the first half of the century, but only positive rates of inflation in the second half of the century.
a relatively steady, positive level throughout the century except for deflation in the 1930s.
a constant rate of inflation in the first half of the century followed by an upward trend in the second half.

Add Question Here

Question 23 **Multiple Choice** **1 points** Modify Remove

Question
A graph of the U.S. unemployment rate over the twentieth century shows:

Answer
an overall upward trend in the unemployment rate interrupted by a large upturn in the 1930s.
an overall downward trend in the unemployment rate interrupted by a large upturn in the 1930s.
✓ rates of unemployment always greater than zero with substantial variations from year to year.
alternating periods of positive and negative rates of unemployment.

Add Question Here

Question 24 **Multiple Choice** **1 points** Modify Remove

Question
During the period between 1900 and 2000, the unemployment rate in the United States was highest in the:

Answer
1920s.
✓ 1930s.
1970s.
1980s.

Add Question Here

Question 25 **Multiple Choice** **1 points** Modify Remove

Question
The unemployment rate:

Answer
- was zero during the 1990s in the United States.
- was zero on average between 1900 and 1950 in the United States.
- ✓ has never been zero in the United States.
- is usually zero when the economy is not in a recession or depression.

Add Question Here

Question 26 **Multiple Choice** **1 points** Modify Remove

Question
Exogenous variables are:

Answer
- ✓ fixed at the moment they enter the model.
- determined within the model.
- the outputs of the model.
- explained by the model.

Add Question Here

Question 27 **Multiple Choice** **1 points** Modify Remove

Question
Endogenous variables are:

Answer
- fixed at the moment they enter the model.
- ✓ determined within the model.
- the inputs of the model.
- from outside the model.

Add Question Here

Question 28 **Multiple Choice** **1 points** Modify Remove

Question
In an economic model:

Answer
- exogenous variables and endogenous variables are both fixed when they enter the model.
- endogenous variables and exogenous variables are both determined within the model.
- endogenous variables affect exogenous variables.
- ✓ exogenous variables affect endogenous variables.

Add Question Here

Question 29 **Multiple Choice** **1 points** Modify Remove

Question
Variables that a model tries to explain are called:

Answer
- ✓ endogenous.
- exogenous.
- market clearing.
- fixed.

Add Question Here

Question 30 **Multiple Choice** **1 points** Modify Remove

Question
Variables that a model takes as given are called:

Answer
- endogenous.
- ✓ exogenous.
- market clearing.
- macroeconomic.

Add Question Here

Question 31 **Multiple Choice** **1 points** Modify Remove

Question
Macroeconomic models are used to explain how ______ variables influence ______ variables.

Answer

- endogenous; exogenous
- ✓ exogenous; endogenous
- microeconomic; macroeconomic
- macroeconomic; microeconomic

Add Question Here

Question 32 **Multiple Choice** **1 points**

Modify Remove

Question

Important characteristics of macroeconomic models include ***all*** of the following ***except***:

Answer

- simplifying assumptions.
- ✓ functional relationships based on controlled experiments.
- endogenous and exogenous variables.
- implicit or explicit consistency with microeconomic foundations.

Add Question Here

Question 33 **Multiple Choice** **1 points**

Modify Remove

Question

In a simple graphical model of the supply and demand for pizza with the price of pizza measured vertically and the quantity of pizza measured horizontally:

Answer

- ✓ the supply curve slopes upward and to the right.
- the demand curve slopes upward and to the right.
- the supply curve slopes downward and to the right.
- at the equilibrium price, the supply of pizza exceeds the demand for pizza.

Add Question Here

Question 34 **Multiple Choice** **1 points**

Modify Remove

Question

In a simple model of the supply and demand for pizza, the endogenous variables are:

Answer

- the price of pizza and the price of cheese.
- aggregate income and the quantity of pizza sold.
- aggregate income and the price of cheese.
- ✓ the price of pizza and the quantity of pizza sold.

Add Question Here

Question 35 **Multiple Choice** **1 points**

Modify Remove

Question

In a simple model of the supply and demand for pizza, when aggregate income increases, the price of pizza ______ and the quantity purchased ______.

Answer

- increases; decreases
- ✓ increases; increases
- decreases; increases
- decreases; decreases

Add Question Here

Question 36 **Multiple Choice** **1 points**

Modify Remove

Question

In a simple model of the supply and demand for pizza, when the price of cheese increases, the price of pizza ______ and the quantity purchased ______.

Answer

- increases; increases
- decreases; increases
- decreases; decreases
- ✓ increases; decreases

Add Question Here

Question 37 **Multiple Choice** **1 points**

Modify Remove

Question

Which statement below best illustrates the “art,” rather than the “science” of macroeconomics?

Answer
Macroeconomic data provides the motivation for new macroeconomic theory.
Macroeconomic relationships can be expressed using symbols and equations.
✓ Macroeconomists must determine which simplifying assumptions give misleading results.
Graphs and charts can be used to illustrate the history of macroeconomic variables.

Add Question Here

Question 38 **Multiple Choice** **1 points** Modify Remove

Question
In the relationship expressed in functional form, $Y = G(K, L)$, Y stands for real GDP, K stands for the amount of capital in the economy, and L stands for the amount of labor in the economy. In this case $G(\ )$:

Answer
is the growth rate of real GDP when the amount of capital and labor in the economy is fixed.
indicates that the variables inside the parentheses are endogenous variables in the model.
is the symbol that stands for government input into the production process.
✓ is the function telling how the variables in the parentheses determine real GDP.

Add Question Here

Question 39 **Multiple Choice** **1 points** Modify Remove

Question
Which of the following statements about economic models is ***true***?

Answer
There is only one correct economic model.
All economic models are based on the same assumptions.
The purpose of economic models is to show how endogenous variables affect exogenous variables.
✓ Economists use different models to address different questions.

Add Question Here

Question 40 **Multiple Choice** **1 points** Modify Remove

Question
Macroeconomic models:

Answer
assume all wages and prices are sticky.
assume all wages and prices are flexible.
✓ make different assumptions to explain different aspects of the macroeconomy.
focus primarily on the optimizing behavior of households and firms.

Add Question Here

Question 41 **Multiple Choice** **1 points** Modify Remove

Question
The assumption of continuous market clearing means that:

Answer
sellers can sell all that they want at the going price.
buyers can buy all that they want at the going price.
in any given month, buyers can buy all that they want and sellers can sell all that they want at the going price.
✓ at any given instant, buyers can buy all that they want and sellers can sell all that they want at the going price.

Add Question Here

Question 42 **Multiple Choice** **1 points** Modify Remove

Question
All of the following statements about sticky prices are true ***except***:

Answer
in the short run, some wages and prices are sticky.
✓ the sticky-price model describes the equilibrium toward which the economy slowly gravitates.
for studying year-to-year fluctuations, most macroeconomists believe that price stickiness is a better assumption than is price flexibility.
magazine publishers tend to change their newsstand prices only every three or four years.

Add Question Here

Question 43 **Multiple Choice** **1 points** Modify Remove

Question
The assumption of flexible prices is a more plausible assumption when applied to price changes that occur:

Answer
- from minute to minute.
- from year to year.
- ✓ in the long run.
- in the short run.

Add Question Here

Question 44 **Multiple Choice** **1 points** Modify Remove

Question
An assumption of _______ is more plausible for studying the short-run behavior of the economy, while an assumption of ______ is more plausible for studying the long-run, equilibrium behavior of the economy.

Answer
- deflation; inflation
- inflation; deflation
- flexible prices; sticky prices
- ✓ sticky prices; flexible prices

Add Question Here

Question 45 **Multiple Choice** **1 points** Modify Remove

Question
When studying the short-run behavior of the economy, an assumption of ______ is more plausible, in contrast to studying the long-run equilibrium behavior of an economy, when an assumption of ______ is more plausible.

Answer
- inflation; unemployment
- unemployment; inflation
- flexible prices; sticky prices
- ✓ sticky prices; flexible prices

Add Question Here

Question 46 **Multiple Choice** **1 points** Modify Remove

Question
Which of the following is the best example of a sticky price?

Answer
- the price of a barrel of oil
- the price of the U.S. dollar in terms of euros
- the price of a share of stock
- ✓ the price of a soda in a vending machine

Add Question Here

Question 47 **Multiple Choice** **1 points** Modify Remove

Question
Which of the following is the best example of a flexible price?

Answer
- the price of a cup of coffee in a coffee shop
- ✓ the price of gasoline at a service station
- the price of a ticket at a movie theater
- the price of a book in a bookstore

Add Question Here

Question 48 **Multiple Choice** **1 points** Modify Remove

Question
How does the distinction between flexible and sticky prices impact the study of macroeconomics?

Answer
- The study of flexible prices is confined to microeconomics, while macroeconomics focuses on sticky prices.
- Macroeconomists use flexible prices to explain inflation and sticky prices to explain unemployment.
- ✓ Flexible prices are typically assumed in the study of the long run, while sticky prices are assumed in the study of the short run.
- Endogenous variables are measured using flexible prices, while exogenous variables are measured using sticky prices.

Add Question Here

Question 49 **Multiple Choice** **1 points** Modify Remove

Question
Macroeconomics is:

Answer ✓ based on microeconomic foundations.
completely separate from microeconomics.
explicitly based on microeconomic behavior.
a subsidiary branch of microeconomics.

Add Question Here

Question 50 **Multiple Choice** **1 points** Modify Remove

Question
Macroeconomics is based on microeconomics for *all* of the following reasons *except*:

Answer
when we study the economy as a whole, we must consider the decisions of individual economic actors.
aggregate variables are simply the sum of variables describing many individual decisions.
✓ macroeconomic decision makers, when they make their choices, are required to maximize utility functions.
to understand the determinants of aggregate investment, we must think about a firm's deciding whether to build a new factory.

Add Question Here

Question 51 **Multiple Choice** **1 points** Modify Remove

Question
Macroeconomists are like scientists because they both:

Answer
design data and conduct controlled experiments to test their theories.
rely on data analyzed from experiments they set up in a laboratory.
are unlimited in their use of controlled experiments.
✓ collect data, develop hypotheses, and analyze the results.

Add Question Here

Question 52 **Multiple Choice** **1 points** Modify Remove

Question
Using a market-clearing model to analyze the demand for haircuts is ______ because the price of a haircut usually changes ______.

Answer
realistic; frequently
realistic; infrequently
unrealistic; frequently
✓ unrealistic; infrequently

Add Question Here

Question 53 **Essay** **1 points** Modify Remove

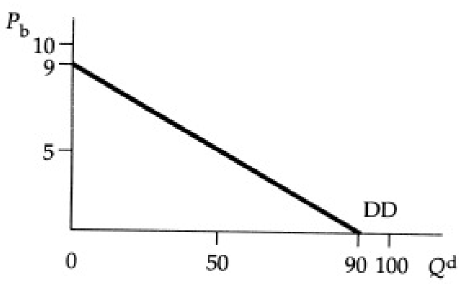
Question
Assume that the equation for demand for bread at a small bakery is $Q^d = 60 - 10P_b + 3Y$, where Q^d is the quantity of bread demanded in loaves and Y is the average income in the town in thousands of dollars.

a. If the average income in the town is 10, state the equation for Q^d in terms of P_b.

b. Draw a graph of the demand curve with Q^d on the horizontal axis and P_b on the vertical axis. Label the curve DD.

Answer a. $Q^d = 90 - 10P_b$

b.



Add Question Here

Question 54 **Essay** **1 points**

Modify
Remove

Question

Assume that the equation for demand for bread at a small bakery is $Q^d = 60 - 10P_b + 3Y$, where Q^d is the quantity of bread demanded in loaves, P_b is the price of bread in dollars per loaf, and Y is the average income in the town in thousands of dollars. Assume also that the equation for supply of bread is $Q^s = 30 + 20P_b - 30P_f$, where Q^s is the quantity supplied and P_f is the price of flour in dollars per pound. Assume finally that markets clear, so that $Q^d = Q^s$.

a. If Y is 10 and P_f is $1, solve mathematically for equilibrium Q and P_b.

b. If the average income in the town increases to 15, solve for the new equilibrium Q and P_b.

Answer a. $Q = 60$ loaves, $P_b = \$3.00$

b. $Q = 70$ loaves, $P_b = \$3.50$

Add Question Here

Question 55 **Essay** **1 points**

Modify
Remove

Question

The production function for an economy can be expressed as $Y = F(K,L)$, where Y is real GDP, K is the quantity of capital in the economy, and L is the quantity of labor in the economy.

a. If $F( ) = 100 + 3K + 9L$, what is real GDP if the quantity of capital is 200 and the quantity of labor is 500?

b. What is/are the endogenous variable(s) in this model?

c. What is/are the exogenous variable(s) in this model?

Answer a. $Y = 100 + 3(200) + 9(500) = 5{,}200$

b. Y

c. K, L

Add Question Here

Question 56 **Essay** **1 points**

Modify
Remove

Question

The quantity of coffee demanded, Q^D, depends on the price of coffee, P_c, and the price of tea, P_T. The quantity of coffee supplied, Q^S, depends on the price of coffee, P_c, and the price of electricity, P_E, according to the following equation:

$$Q^D = 17 - 2P_c + 10P_T$$

$$Q^S = 2 + 3P_c - 5P_E$$

a. If the price of tea is $1.00 and the price of electricity is $0.50, what is the equilibrium price and quantity of coffee?

b. What is/are the endogenous variable(s) in this model?

c. What is/are the exogenous variable(s) in this model?

Answer a. The equilibrium price is $5.50 and the equilibrium quantity is 16.

b. P_c and Q

c. P_T and P_E

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OK