

Question 1

Suppose a central bank implements a monetary expansion. Which of the following would we expect to occur in the short run?

- A) an increase in the nominal wage
- B) the AD curve to shift to the left
- C) the price setting curve to shift up
- D) the wage setting curve to shift downward
- E) the wage setting curve to shift upward

Answer: <https://biology-forums.com/index.php?topic=753597>

Question 2

Which of the following will occur as a result of a tax cut?

- A) private saving decreases
- B) investment decreases
- C) the trade balance improves
- D) the trade balance worsens
- E) the budget deficit decreases

Answer: <https://biology-forums.com/index.php?topic=754268>

Question 3

Which of the following statements about Fed management of the money supply is correct?

- A) over the past thirty years, the Fed has always stayed within its pre-announced target rates for growth in M2.
- B) the most common tool used by the Fed is a change in the required ratio of reserves to deposits.
- C) the rate at which the Fed lends money to banks is called the "Federal Funds rate."
- D) the Fed must report each week to Congress on the conduct of monetary policy.
- E) none of the above

Answer: <https://biology-forums.com/index.php?topic=754518>

Question 4

Which of the following is true for a "closed economy"?

- A) government spending equals taxes
- B) there are no imports or exports
- C) exports equal imports
- D) there is no saving
- E) there is no government spending or taxes

Answer: <https://biology-forums.com/index.php?topic=753329>

Question 5

Analysis of U.S. budget deficits in the United States between 1990 and 2000 indicates that which of the following is primarily responsible for the reduction in the budget deficit?

- A) decrease in spending
- B) increase in tax revenues
- C) decrease in spending and increase in tax revenues
- D) lower interest rates
- E) increases in tax rates

Answer: <https://biology-forums.com/index.php?topic=754414>

Question 6

After Britain returned to the Gold Standard in the 1920s, the British pound was

- A) undervalued, contributing to a long period of inflation.
- B) undervalued, contributing to a long period of recession.
- C) overvalued, contributing to a long period of inflation.
- D) overvalued, contributing to a long period of recession.
- E) value about right, leading to a long period healthy growth with almost no inflation.

Answer: <https://biology-forums.com/index.php?topic=754336>

Question 7

For this question, assume that $Y = N$. Based on our understanding of the labor market model presented in Chapter 6, we know that a reduction in the markup will cause

- A) an increase in the natural level of output.

- B) a reduction in the natural level of output.
- C) no change in the natural level of output.
- D) a reduction in the natural level of employment.

Answer: <https://biology-forums.com/index.php?topic=753534>

Question 8

The present discounted value of a future payment becomes smaller when

- A) the nominal interest rate decreases.
- B) the payment is made sooner rather than later.
- C) the payment itself decreases.
- D) all of the above
- E) none of the above

Answer: <https://biology-forums.com/index.php?topic=753916>

Question 9

Which of the following is true when a country's trade position is balanced (i.e., $NX = 0$)?

- A) demand for domestic goods is equal to the domestic demand for goods
- B) demand for domestic goods is greater than the domestic demand for goods
- C) demand for domestic goods is less than the domestic demand for goods
- D) neither a budget surplus nor deficit exists (i.e., $G - T = 0$)

Answer: <https://biology-forums.com/index.php?topic=754233>

Question 10

A reduction in private saving (S) can be reflected in

- A) an increase in the budget deficit.
- B) an increase in investment.
- C) a reduction in net exports.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=754260>

Question 11

Which of the following would increase the cyclically adjusted deficit?

- A) an increase in income.
- B) a decrease in income.
- C) an increase in the primary deficit.
- D) a decrease in the primary deficit.
- E) none of the above

Answer: <https://biology-forums.com/index.php?topic=754449>

Question 12

Patent protection is important in affecting technological progress because it makes research and development

- A) diffuse more quickly.
- B) more fertile.
- C) more easily available
- D) more appropriable
- E) none of the above

Answer: <https://biology-forums.com/index.php?topic=753790>

Question 13

An increase in which of the following variables will cause a reduction in the amount of money individuals wish to hold in the current period?

- A) current income
- B) the current nominal interest rate
- C) the current real interest rate
- D) expected future income
- E) all of the above

Answer: <https://biology-forums.com/index.php?topic=754132>

Question 14

Suppose a country switches from a fixed to a flexible exchange rate. Which of the following will occur as a result of this change?

- A) monetary policy will become a less effective tool for changing output.

- B) a given change in government spending will now have a greater effect on output.
C) both fiscal and monetary policy will become more effective in changing GDP.
D) both fiscal and monetary policy will become completely ineffective in changing GDP.
E) none of the above

Answer: <https://biology-forums.com/index.php?topic=754291>

Question 15

American Recovery and Reinvestment Act 2009 calls for

- A) both tax reductions and government spending reductions.
B) both tax reductions and government spending increases.
C) both tax increases and government spending increases.
D) both tax increases and government spending reductions.

Answer: <https://biology-forums.com/index.php?topic=753666>

Question 16

The data suggest that in the European Union countries, the natural rate of unemployment

- A) is now higher than in the U.S
B) is no longer a relevant concept
C) has steadily declined over the past two decades
D) will soon exceed the percentage of the labor force that is working
E) has become less "natural," since it is now almost entirely determined by the policies of a few large corporations

Answer: <https://biology-forums.com/index.php?topic=753626>

Question 17

Which of the following best defines the LM curve?

- A) the combinations of i and Y that maintain equilibrium in the goods market
B) illustrates the effects of changes in i on investment
C) illustrates the effects of changes in i on desired money holdings by individuals
D) the combinations of i and Y that maintain equilibrium in financial markets

Answer: <https://biology-forums.com/index.php?topic=753471>

Question 18

Suppose households decide to increase consumption. This increase in consumption will cause which of the following to occur?

- A) the natural real interest rate to rise
B) the natural real interest rate to fall
C) ambiguous effects on the natural real interest rate
D) no effect on the natural real interest rate

Answer: <https://biology-forums.com/index.php?topic=753946>

Question 19

A major explanation for the decline in employment projected in textiles is

- A) increases in income.
B) social problems in the U.S.
C) shifts in production toward low-wage countries.
D) inaccurate expectations about productivity growth.
E) inaccurate expectations about the price level.

Answer: <https://biology-forums.com/index.php?topic=753865>