

ECO403 Macroeconomics Solved Online Quiz For Midterm Exam Preparation Spring 2013

Question # 1 of 15 (Start time: 03:22:55 PM) Total Marks: 1

If the U.S. real exchange rate increases, then U.S. _____ will fall and U.S. _____ will rise.

Select correct option:

Imports; exports

Income; imports

Exports; income

Exports; imports

Quiz Start Time: 03:22 PM Time Left 89
sec(s)

Question # 2 of 15 (Start time: 03:23:37 PM) Total Marks: 1

Demand curves are derived while holding constant:

Select correct option:

Income, tastes, and the price of the good

Income and tastes

Tastes and the price of other goods

Income, tastes, and the price of other goods

Quiz Start Time: 03:22 PM Time Left 82
sec(s)

Question # 4 of 15 (Start time: 03:24:28 PM) Total Marks: 1

The accumulation of all past annual deficits is known as:

Select correct option:

Government debt.

Budget deficit.

Trade deficit.

Budget surplus.

Quiz Start Time: 03:22 PM Time Left 89
sec(s)

Question # 5 of 15 (Start time: 03:25:51 PM) Total Marks: 1
The Golden Rule level of capital accumulation k^* gold denotes the steady state with the highest:
Select correct option:

Level of consumption per worker.

Level of output per worker.

Growth rate of consumption per worker.

Growth rate of output per worker.

Quiz Start Time: 03:22 PM Time Left 87
sec(s)

Question # 6 of 15 (Start time: 03:26:47 PM) Total Marks: 1
Suppose that a country in a steady state implements policies to increase its saving rate. After the new steady state is reached:
Select correct option:

Output per worker will grow more rapidly than before.

The level of output per worker will be higher than before.

The amount of capital per worker will be the same as before.

All of the given options.

Question # 7 of 15 (Start time: 03:27:03 PM) Total Marks: 1
During periods of inflation, the official measure of the budget deficit:
Select correct option:

Overstates the change in the government's real indebtedness.

Understates the change in the government's real indebtedness.

Equals the change in the government's real indebtedness.

Should equal the expected rate of inflation.

Quiz Start Time: 03:22 PM Time Left 88
sec(s)

Question # 8 of 15 (Start time: 03:28:30 PM) Total Marks: 1

Resources in an economy:

Select correct option:

Are always fixed.

Can never decrease.

Always increase over time.

Are limited at any moment in time.

Quiz Start Time: 03:22 PM Time Left 89

sec(s)

Question # 9 of 15 (Start time: 03:28:57 PM) Total Marks: 1

Which of the following is NOT the short run impact of an increase in money supply?

Select correct option:

An increase in output level

An increase in price level

An increase in consumption

An increase in investment

Quiz Start Time: 03:22 PM Time Left 88

sec(s)

Question # 10 of 15 (Start time: 03:29:54 PM) Total Marks: 1

Which of the following is NOT included in M1?

Select correct option:

Deposits in checking accounts that pay interest

Deposits in checking accounts

Deposits in money market mutual funds

Currency held by the public

Quiz Start Time: 03:22 PM Time Left 89

sec(s)

Question # 11 of 15 (Start time: 03:31:04 PM) Total Marks: 1

A common misperception about inflation is that it reduces real wages; this is:

Select correct option:

True only in the short run.

True only in the Long run.

True only in Command economies.

None of the given options.

Quiz Start Time: 03:22 PM Time Left 89

sec(s)

Question # 12 of 15 (Start time: 03:31:34 PM) Total Marks: 1

The standard of living is often measured by which of the following?

Select correct option:

Real GDP per capita

Real GDP / depreciation

Real GDP \times population

Real GDP plus depreciation

Quiz Start Time: 03:22 PM Time Left 89

sec(s)

Question # 13 of 15 (Start time: 03:32:15 PM) Total Marks: 1

An item that is intrinsically worthless is:

Select correct option:

Commodity money.

Precious metals.

Fiat money.

Barter items.

Question # 14 of 15 (Start time: 03:32:31 PM) Total Marks: 1

In the complete Keynesian cross model, the aggregate expenditures line is specified as:

Select correct option:

$$AE = C + I + X$$

$$AE = C + I + G$$

$$AE = C + I + G + (X - M)$$
$$AE = C + (I - Y) + (T - G)$$

Question # 15 of 15 (Start time: 03:33:56 PM) Total Marks: 1

Structural unemployment occurs:

Select correct option:

With economic fluctuations; it increases during bad times and decreases during good times.

Because of a mismatch between the jobs that are available in the economy and the skills of workers seeking jobs.

Naturally during the normal workings of an economy, as people change jobs, move across the country, etc.

Because the government labels some people who aren't really in the labor force as unemployed.

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 1 of 15 (Start time: 03:38:56 PM) Total Marks: 1

Inflation resulting from supply shocks is known as:

Select correct option:

Demand pull inflation.

Cost push inflation.

Expected inflation.

Food inflation.

Quiz Start Time: 03:38 PM Time Left 88
sec(s)

Question # 2 of 15 (Start time: 03:39:47 PM) Total Marks: 1

An example of an expansionary monetary policy is:

Select correct option:

An increase in the required reserve ratio.

An increase in the discount rate.

A reduction in the taxes banks pay on their profits.

The central bank buying government securities in the open market.

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 3 of 15 (Start time: 03:40:23 PM) Total Marks: 1

_____ depends on the difference between the Marginal Product of Capital and the cost of capital.

Select correct option:

Net investment

Depreciation investment

Inventory investment

Gross investment

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 4 of 15 (Start time: 03:41:30 PM) Total Marks: 1

The narrowest definition of money supply is:

Select correct option:

M1.

M2.

M3.

M4.

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 5 of 15 (Start time: 03:42:02 PM) Total Marks: 1

Let s denote the rate of job separation and f the rate of job finding. If the labor market is in a steady state, the natural rate of unemployment is equal to:

Select correct option:

$1/s$

$1/(s + f)$

$s/(s + f)$

$f/(s + f)$

3rd

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 6 of 15 (Start time: 03:42:18 PM) Total Marks: 1
A rise in the general level of interest rates is most likely to cause a fall in:
Select correct option:

- The level of planned capital investment.
- The exchange rate.
- The rate of unemployment.
- The savings ratio.**

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 7 of 15 (Start time: 03:43:46 PM) Total Marks: 1
Barter economies require:
Select correct option:

- The use of fiat money.
- The use of commodity money.
- A double coincidence of wants.
- Money to serve as a store of value but not as a medium of exchange.**

Quiz Start Time: 03:38 PM Time Left 89
sec(s)

Question # 8 of 15 (Start time: 03:44:10 PM) Total Marks: 1
Aggregate supply is the relation between real production and:
Select correct option:

- The price level.
- Aggregate expenditures.**
- Foreign trade.
- The exchange rate.

Question # 9 of 15 (Start time: 03:45:11 PM) Total Marks: 1
The rate at which the consumer is willing to substitute second period consumption for the first period consumption is known as:
Select correct option:

Marginal rate of substitution.

Rate of discounting.

Rate of inflation.

Interest rate.

4th

Quiz Start Time: 03:38 PM Time Left 88

sec(s)

Question # 10 of 15 (Start time: 03:45:41 PM) Total Marks: 1

What effect is working when the price of a good falls and consumers tend to buy it instead of other goods?

Select correct option:

The diminishing marginal utility effect

The ceteris paribus effect

The income effect

The substitution effect

Question # 11 of 15 (Start time: 03:46:08 PM) Total Marks: 1

Which of the following is the largest component of total expenditures?

Select correct option:

Consumption

Investment

Government spending

Net exports

Question # 12 of 15 (Start time: 03:46:36 PM) Total Marks: 1

The GDP deflator can be used:

Select correct option:

To reduce the overstatement of economic activity that would occur if we included intermediate production.

To correct nominal GDP for the contribution to domestic GDP made by foreign owned factors of production.

To decompose a change in nominal GDP into a change in real GDP and an average change in prices.

To obtain the factor income flows that result from the economic activity that has produced the GDP.

Quiz Start Time: 03:38 PM Time Left 88
sec(s)

Question # 13 of 15 (Start time: 03:47:56 PM) Total Marks: 1
“Each factor of production is paid its marginal product”. This is stated by which of the following theory?
Select correct option:

Neoclassical theory of distribution

Keynesian theory of consumption

Real business cycle theory

Quantity theory of money

1st

Question # 14 of 15 (Start time: 03:48:28 PM) Total Marks: 1
Which of the following is NOT a flow variable?
Select correct option:

Disposable personal income

Consumption expenditures

Personal wealth

Gross domestic product

Quiz Start Time: 03:38 PM Time Left 88
sec(s)

Question # 15 of 15 (Start time: 03:49:08 PM) Total Marks: 1
The standard of living is often measured by which of the following?
Select correct option:

Real GDP per capita

Real GDP / depreciation

Real GDP \times population

Real GDP plus depreciation

Quiz Start Time: 03:51 PM
Time Left 88
sec(s)

Question # 1 of 15 (Start time: 03:51:56 PM) Total Marks: 1
Your nominal capital gain in year 2005 is 20%. If inflation rate in this year is also 20% then what will be your real capital gain?
Select correct option:

0%
10%
20%
40%

Quiz Start Time: 03:51 PM

Time Left 88

sec(s)

Question # 2 of 15 (Start time: 03:52:33 PM) Total Marks: 1

If State Bank of Pakistan wishes to pursue a “tight” monetary policy it would:

Select correct option:

Increase the minimum reserve asset ratio.

Buy government securities on the open market.

Lower interest rates.

Sell government securities on the open market.

Quiz Start Time: 03:51 PM

Time Left 86

sec(s)

Question # 3 of 15 (Start time: 03:53:20 PM) Total Marks: 1

Fluctuations in economic activity can be caused by:

Select correct option:

An increase in aggregate demand.

A decrease in aggregate demand.

A decrease in short run aggregate supply.

All of the given options.

Question # 4 of 15 (Start time: 03:54:19 PM) Total Marks: 1

The extra output that a firm can produce using an additional unit of labor is known as:

Select correct option:

Average product of labor.

Marginal product of labor.

Total product.

Total cost.

Quiz Start Time: 03:51 PM

Time Left 88

sec(s)

Question # 5 of 15 (Start time: 03:55:04 PM) Total Marks: 1

Which of the following is a key problem resulting from inflation?

Select correct option:

Prices are stable

Certainty of future prices

A haphazard redistribution of income

An increase in the value of money

Question # 6 of 15 (Start time: 03:55:43 PM) Total Marks: 1

If national output $Y = 1,000$ and domestic spending on all domestic and foreign goods and services equals 900, then net exports NX will be equal to:

Select correct option:

100

-100

1,900

0

Quiz Start Time: 03:51 PM

Time Left 88

sec(s)

Question # 7 of 15 (Start time: 03:56:12 PM) Total Marks: 1

According to Fisher's model of consumption, all of the following statements about the intertemporal budget constraint are true EXCEPT:

Select correct option:

If current consumption rises, the resources available for future consumption will fall.

Consumption in Period 1 must be less than or equal to consumption in Period 2.

In the first period, saving is equal to first-period income minus consumption.

Consumers take into account both current income and expected future income when making consumption choices.

Quiz Start Time: 03:51 PM

Time Left 89

sec(s)

Question # 8 of 15 (Start time: 03:57:08 PM) Total Marks: 1

According to the loanable funds interpretation of the IS curve:

Select correct option:

Firms want to invest more as their income rises.

Banks want to lend more as the interest rate rises.

An increase in income raises saving and lowers the interest rate that equilibrates the supply of and demand for loanable funds.

All of the given options.

Quiz Start Time: 03:51 PM

Time Left 88

sec(s)

Question # 9 of 15 (Start time: 03:58:32 PM) Total Marks: 1

Which of the following is NOT included in $M1$?

Select correct option:

Deposits in checking accounts that pay interest

Deposits in checking accounts

Deposits in money market mutual funds

Currency held by the public

3

3

Quiz Start Time: 03:51 PM

Time Left 84

sec(s)

Question # 10 of 15 (Start time: 03:58:48 PM) Total Marks: 1

Development is impossible without:

Select correct option:

Incentive to profit.

Foreign aid.

Domestic savings.

Inflation.

its seem 3rd

Quiz Start Time: 03:51 PM

Time Left 87

sec(s)

Question # 11 of 15 (Start time: 03:59:32 PM) Total Marks: 1

The difference between exports and imports in determining the GDP is known as the:

Select correct option:

Net exports.

Import tariffs.

Net imports.

Net income.

Quiz Start Time: 03:51 PM

Time Left 85

sec(s)

Question # 12 of 15 (Start time: 04:00:07 PM) Total Marks: 1

The short-run is the time period in which:

Select correct option:

Firms can purchase new capital.

Potential output is fixed.

Price does not change very much.

Government spending fixed.

Quiz Start Time: 03:51 PM

Time Left 86

sec(s)

Question # 13 of 15 (Start time: 04:00:55 PM) Total Marks: 1

The relationship between the level of prices and inflation is:

Select correct option:

The higher the price level, the lower the rate of inflation.

The higher the rate of increase in the price level, the higher the rate of inflation.

The higher the rate of increase in the price level, the lower the rate of inflation.

The higher the price level, the higher the rate of inflation.

Question # 14 of 15 (Start time: 04:01:31 PM) Total Marks: 1

Compared to the aggregate market model, the multiplier effect in the Keynesian cross model is:

Select correct option:

Larger.

Smaller.

Exactly the same.

Often larger, but sometimes smaller.

Question # 15 of 15 (Start time: 04:02:05 PM) Total Marks: 1

Which of the following statements about net exports is correct?

Select correct option:

The term $C + I + G$ understate domestic production of goods and services because it leaves out exports, which must be subtracted out of GDP to obtain the correct figure.

The term $C + I + G$ overstates domestic production of goods and services because it contains imports, which must be subtracted out of GDP to obtain the correct figure.

The difference between exports and imports is negative when the country is a net exporter.

Before 1976, the United States was generally a net importer. Only after 1976, exports began to exceed imports.

me: The difference between exports and imports is negative when the country is a net exporter.

M1:

Select correct option:

Is the narrowest definition of the money supply.

Includes the most liquid forms of money.

Includes travelers' checks.

All of the given options

The relationship between the level of prices and inflation is:

Select correct option:

The higher the price level, the lower the rate of inflation.

The higher the rate of increase in the price level, the higher the rate of inflation.

The higher the rate of increase in the price level, the lower the rate of inflation.

The higher the price level, the higher the rate of inflation.

The term investment refers to:

Select correct option:

Only the creation of capital goods undertaken by private firms or the government.

Only large projects, such as building a new factory, undertaken by private firms.

Any action today that has costs today but provides benefits in the future.

Any action today that has costs today and provides benefits today.

A trade deficit occurs when:

Select correct option:

A country sells more abroad than it purchases from abroad.

Foreign firms open more stores in a country than the country opens in foreign countries.

A country's firms open more stores abroad than foreign firms open in the country.

A country purchases more from abroad than other countries purchase from it.

Which of the following is NOT a flow variable?

Select correct option:

Disposable personal income

Consumption expenditures

Personal wealth

Gross domestic product

The difficulties of comparing growth of different countries are:

Select correct option:

Lack of empirical data.

Choice of a common denominator.

Assigning weights to the various items of output.

All of the given options.

In the sticky-price model:

Select correct option:

All firms adjust prices instantly in response to changes in demand.

No firms adjust prices instantly in response to changes in demand.

Some firms adjust prices instantly in response to changes in demand while others do not.

Output is constant.

Aggregate supply is the relation between real production and:

Select correct option:

The price level.

Aggregate expenditures.

Foreign trade.
The exchange rate.

Question # 9 of 15 (Start time: 12:53:29 AM) Total Marks: 1

An increase of 10% in nominal GDP indicates that:

Select correct option:

Real output has increased by 10%.

The aggregate price level has increased by 10%.

Real output and the aggregate price level have increased by 5% each.

It is possible that all of the increase was caused by an increase in the aggregate price level.

Question # 10 of 15 (Start time: 12:54:33 AM) Total Marks: 1

The accumulation of all past annual deficits is known as:

Select correct option:

Government debt.

Budget deficit.

Trade deficit.

Budget surplus.

Technological progress is encouraged by:

Select correct option:

The patent system.

Tax incentives for research and development.

Government subsidies for research.

All of the given options.

The currency exchange rate is most likely to change and cause a shift of the aggregate demand curve through a change in:

Select correct option:

Consumption.

Investment.

Net exports.

Transfer payments.

Which one of the following is likely to result in a rightward shift of the short run aggregate supply curve?

Select correct option:

An increase in indirect taxation on producers.

A decrease in government spending.

An increase in planned capital investment spending by businesses.

A decrease in wage rates.

Going to the dentist would be counted in GDP as:

Select correct option:

A service.

Crowns and fillings.

Insurance utilization.

Investment.

Country risk premium is negatively related with:

Select correct option:

Investment.

Consumption.

Income.

Government purchases.

Quiz Start Time: 07:32 PM Time Left 87
sec(s)

Question # 1 of 15 (Start time: 07:32:38 PM) Total Marks: 1
Gross National Product minus net factor income from abroad yields:
Select correct option:

Net national product.

Disposable personal income.

National income.

Gross domestic product.

Ref. $GDP = GNP - NET\ FACTOR\ INCOME\ FROM\ ABROAD$

Quiz Start Time: 07:32 PM Time Left 67
sec(s)

Question # 2 of 15 (Start time: 07:34:01 PM) Total Marks: 1

Which of the following is NOT a flow variable?

Select correct option:

Disposable personal income

Consumption expenditures

Personal wealth

Gross domestic product

Quiz Start Time: 07:32 PM Time Left 88
sec(s)

Question # 3 of 15 (Start time: 07:35:25 PM) Total Marks: 1

The difference between exports and imports in determining the GDP is known as the:

Select correct option:

Net exports.

Import tariffs.

Net imports.

Net income.

Quiz Start Time: 07:32 PM Time Left 64
sec(s)

Question # 4 of 15 (Start time: 07:36:42 PM) Total Marks: 1

The relative price of domestic goods in terms of foreign goods is known as:

Select correct option:

Real exchange rate.

Nominal exchange rate.

Discount rate.

Inflation rate.

Quiz Start Time: 07:32 PM Time Left 61

sec(s)

Question # 5 of 15 (Start time: 07:38:07 PM) Total Marks: 1

Television sets are examples of:

Select correct option:

Durable goods.

Services.

Non-durable goods.

Transfer products.

Quiz Start Time: 07:32 PM Time Left 73

sec(s)

Question # 6 of 15 (Start time: 07:39:25 PM) Total Marks: 1

Macro-economic disequilibrium exists when:

Select correct option:

Aggregate exports are not equal to aggregate imports.

Aggregate supply is not equal to aggregate demand.

Aggregate expenditure is not equal to tax revenue.

Aggregate saving is not equal to aggregate investment.

Quiz Start Time: 07:32 PM Time Left 50
sec(s)

Question # 7 of 15 (Start time: 07:40:52 PM) Total Marks: 1
The money supply increases when:
Select correct option:

There is an increase in government purchases.
The Central bank buys Treasury bonds from the public.
A private citizen buys a bond issued by General Motors.
IBM sells stock to the public and uses the proceeds to finance the construction of a new
factory.

Quiz Start Time: 07:32 PM Time Left 11
sec(s)

Question # 8 of 15 (Start time: 07:41:53 PM) Total Marks: 1
When the GDP is measured using "adjustments for price changes" it is known as the:
Select correct option:

Real GDP.
Nominal GNP.
Nominal GDP.
Real GNP.

Quiz Start Time: 07:32 PM Time Left 51
sec(s)

Question # 9 of 15 (Start time: 07:43:18 PM) Total Marks: 1

Trade policy is totally ineffective on output under:

Select correct option:

Floating exchange rate.

Fixed exchange rate.

Nominal exchange rate.

Real exchange rate.

Quiz Start Time: 07:32 PM Time Left 66
sec(s)

Question # 10 of 15 (Start time: 07:44:42 PM) Total Marks: 1

Which one of the following is likely to decrease aggregate supply in the economy?

Select correct option:

Improvements in technology.

A reduction in the rate of corporation tax and income tax.

Increased occupational and geographical labor mobility.

A rise in the price of raw materials and components.

Quiz Start Time: 07:32 PM Time Left 82
sec(s)

Question # 11 of 15 (Start time: 07:46:09 PM) Total Marks: 1

An item that is intrinsically worthless is:

Select correct option:

Commodity money.

Precious metals.

Fiat money.

Barter items.

Quiz Start Time: 07:32 PM Time Left 33
sec(s)

Question # 12 of 15 (Start time: 07:47:31 PM) Total Marks: 1

Which of the following is the closest definition of the term "investment"?

Select correct option:

Investment is the purchase of financial assets, such as stocks and bonds

Investment is the value of newly produced capital goods

Investment is the purchase of goods for present consumption

Investment is the accumulation of previous capital

Quiz Start Time: 07:32 PM Time Left 84
sec(s)

Question # 13 of 15 (Start time: 07:48:39 PM) Total Marks: 1

Which one is NOT a factor of production?

Select correct option:

Land

Labor

Capital

Investment (100 % correct)

Quiz Start Time: 07:32 PM Time Left 87
sec(s)

Question # 14 of 15 (Start time: 07:50:02 PM) Total Marks: 1

Inflation resulting from demand shocks is known as:

Select correct option:

Demand pull inflation.

Cost push inflation.

Expected inflation.

Food inflation.

Quiz Start Time: 07:32 PM Time Left 47
sec(s)

Question # 14 of 15 (Start time: 07:50:02 PM) Total Marks: 1

Inflation resulting from demand shocks is known as:

Select correct option:

Demand pull inflation.

Cost push inflation.

Expected inflation.
Food inflation.

Quiz Start Time: 07:32 PM Time Left 84
sec(s)

Question # 15 of 15 (Start time: 07:50:55 PM) Total Marks: 1
The level of output produced when the labor market is in equilibrium is called:
Select correct option:

Target output.
Product market equilibrium output.
Full-employment output.
Natural output.

Quiz Start Time: 07:32 PM Time Left 5
sec(s)

Question # 15 of 15 (Start time: 07:50:55 PM) Total Marks: 1
The level of output produced when the labor market is in equilibrium is called:
Select correct option:

Target output.
Product market equilibrium output.
Full-employment output.
Natural output.

Final goods and services" are those that are:

Double counted in the calculation of GDP.

Sold to ultimate or final purchasers.

Produced outside the country.

Used in the production of other goods and services.

The demand for money represents the idea that there is:

Select correct option:

A positive relationship between the interest rate and the quantity of money demanded.

A negative relationship between the level of aggregate output and the quantity of money demanded.

A negative relationship between the interest rate and the quantity of money demanded.

A negative relationship between the price level and the quantity of money demanded.

An item that is intrinsically worthless is:

Select correct option:

Commodity money.

Precious metals.

Fiat money.

Barter items.

Monetary policy is totally ineffective on output under:

Select correct option:

Floating exchange rate.

Fixed exchange rate.

Nominal exchange rate.

Real exchange rate.

In the sticky-price model:

Select correct option:

All firms adjust prices instantly in response to changes in demand.

No firms adjust prices instantly in response to changes in demand.

Some firms adjust prices instantly in response to changes in demand while others do not.

Output is constant.