



## Test Bank

مبادئ الاقتصاد 2

الفرقة الاولى شعبة اللغة

2021

## True or False

1. Macroeconomics is the study of the performance of the national economy and the global economy **T**
2. Economic phenomena such as the rate of unemployment and inflation are studied in microeconomics **F- Macroeconomics**
3. With high unemployment during the Great Depression, the initial focus of macroeconomics was on the Long-Term **F short term.**
4. Modern macroeconomics emerged during the Great Depression. **T**
5. To get the economy out of a slump, Keynes believed that the government should cut both taxes and government spending. **F decrease taxes and/or increase government spending**
6. According to the Classical economists, the economy requires government intervention in the economy. **F is self- correcting.**
7. The market value of all the goods and services produced within a country in a given time period are included in GDP. **F -The market value of only final goods and services is included in GDP; the market value of intermediate goods is not included**
8. Wages paid to households for their labor is part of aggregate income. **T**
9. Transfer payments are included in the government -**The government purchases part of aggregate expenditure is the goods and services the government buys. Transfer payments buy no good or service and so they are not part of government purchases**
10. Aggregate income equals aggregate expenditure. **T**
11. Gross domestic product is larger than net domestic product **T**

12. **Real GDP is a perfect measure of economic welfare in less developed nation** F In developed nations real GDP is not a perfect measure of economic welfare and is an even poorer measure in less developed nations.
13. **Real GDP is a good measure of the phase of the business cycle.** T
14. **The unemployment rate equals the total number of unemployed workers divided by the total working-age population.** F-The unemployment rate equals the total number of unemployed workers divided by the labor force, not the total working-age population
15. **In a recession, the duration of unemployment generally increases.** T
16. **The natural rate of unemployment equals the sum of frictional and structural unemployment.** T
17. **During a recession, the economy often has higher rates of unemployment, whereas during a boom, the economy often has higher rates of inflation** T
18. **According to the Keynesians, the government can reduce unemployment through changes in its spending and taxation policies.** T
19. **Structural unemployment arises because people's skills, experience, education, or location do not match what employers need** T
20. **Almost all of the people who are unemployed are so because they have involuntarily lost their jobs.** F- Only on average about half of the unemployed have involuntarily lost their jobs .Others have voluntarily quit, or are just entering the labor force, or re-entering it
21. **An increase in aggregate demand (given no change in aggregate supply) will cause higher inflation .**T
22. **An increase in costs will make the aggregate supply curve more inelastic.** F An increase in costs will shift the supply curve to the left, but will not change the elasticity.

23. **An increase in expenditure tax will shift both the aggregate demand and supply curves to the left.** T The statement is true. An increase in expenditure tax will reduce consumption (shifting aggregate demand to the left) and will also represent an increase in costs (shifting aggregate supply to the left as well)
24. **An improvement in productivity will shift both the aggregate demand and supply curves to the right.** F- An improvement in productivity will mean that firms are more efficient (shifting aggregate supply to the right), but it will not shift aggregate demand. There will simply be a 'move along' the aggregate demand curve, not a shift.
25. **An increase in the money supply will shift the AD curve upwards and to the right** T
26. **A cut in taxes will shift the AD curve upwards and to the right.** T
27. **An increase in the overall price level causes the AD curve to shift down and to the left.** F it causes a movement upwards along the AD curve, meaning lower GDP.
28. **If the economy is in equilibrium at below full employment, there is a recessionary gap.** T The recessionary gap is the amount by which actual GDP falls short of potential GDP.
29. **If the aggregate demand curve and the short-run aggregate supply curve both shift rightward at the same time, real GDP increases.** T Both shifts increase real GDP.

**. Multiple Choice Questions:**

- 1) **Which of the following is NOT a topic studied in Macroeconomics?**
- a. Gross domestic product
  - B. the unemployment rate
  - C. **the price of IBM computers**
  - D. the inflation rate

**2) According to the Classical model, unemployment**

- a. Could not persist because wages would rise to eliminate the excess supply of labor
- b. Could not persist because wages would fall to eliminate the excess supply of labor**
- c. Could be eliminated only through government intervention.

**3) Suppose the economy suffers a high rate of unemployment. According to Keynesian economists, the government should increase employment by**

- a) Balancing the budget.
- b) . Not doing anything.
- c) Increasing government spending**
- d) Increase both taxes and government spending.

**4) Rapid increases in the price level during periods of recession or high unemployment are known as**

- a) Stagflation.**
- b) Stagnation.
- c) . Inflation.
- d) Deflation.

**5) .Real GDP**

- A. fluctuates from year to year but is Always below potential GDP.
- B. fluctuates around potential GDP.**
- C. can be called potential GDP when it is adjusted for price changes

**6) .Economic growth can be described as**

- a. . An outward shift in the economy's production possibility frontier.**
- b. . An increase in the inflation rate.
- c. . An increase in employment in the manufacturing sector.

7. An increase in the overall price level is known as

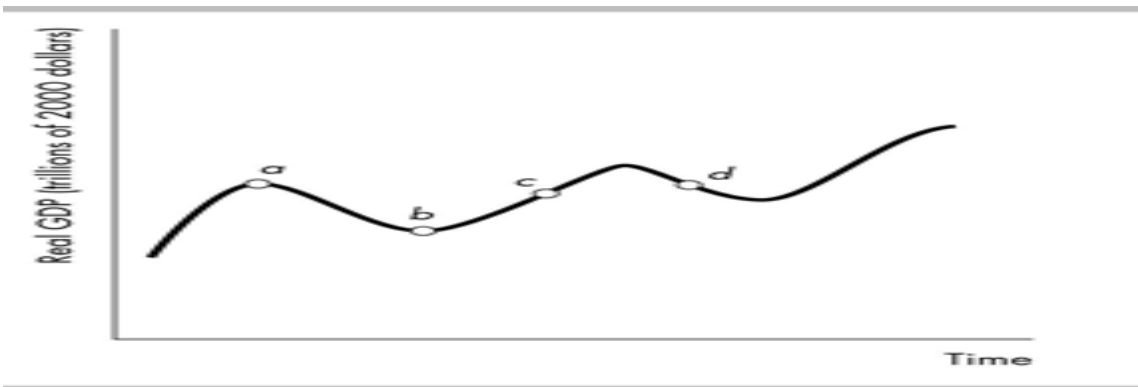
- A. deflation.
- B. inflation.
- C. stagflation.

8. The term business cycle refers to the

- A. Short- term ups and downs in the price level.
- B. Short- term ups and downs in the level of economic activity.
- C. Long- term trends in the price level.

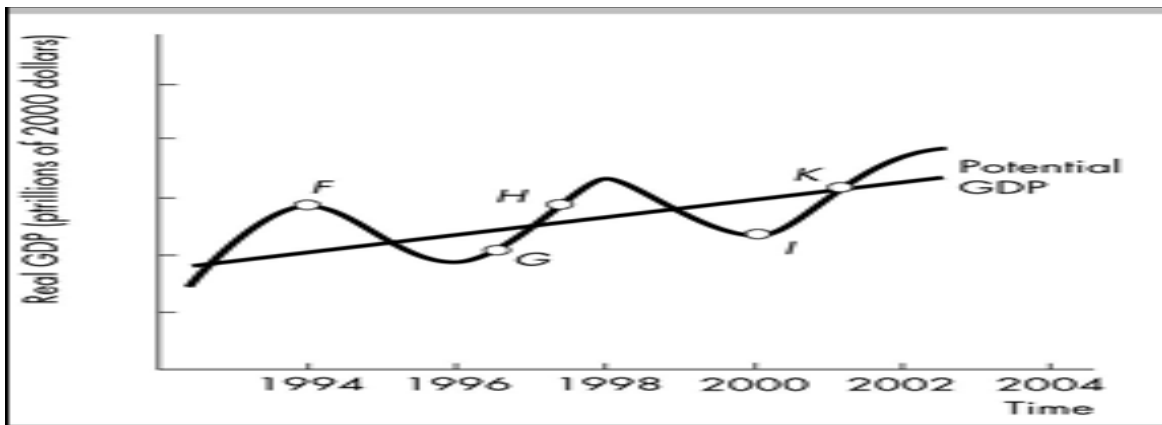
9. In a business cycle, a peak represents the end of \_\_\_\_\_ and a trough represents the end of \_\_\_\_\_

- a) An expansion; a recession
- b) A depression; an expansion
- c) A trough; a peak



10. In the above figure, a trough is at point \_\_\_\_ and a peak is at point. \_\_\_\_

- a) a; b
- b) b; c
- c) b; a
- d) d; c



11. In the above figure, which point represents the under use of resources?

- a. Point F.
- b. **Point G.**
- c. Point H.

12. The government has a budget surplus when government spending

- a. Exceeds tax receipts.
- b. **is less than tax receipts**
- c. equals tax receipts

13. Government policies regarding taxes and expenditures are called

- a) **Fiscal policy.**
- b) . Supply- side policy.
- c) monetary policy

14. The principal goal of monetary policy is to

- a) Reverse the productivity growth slowdown
- b) **. maintain low inflation**
- c). maintain high inflation

**15. All of the following statements are true for gross domestic product except that**

- a. GDP includes only goods and services that are produced within a country.
- b. Intermediate goods are included in calculating GDP.
- c. GDP measures the value of production in a given time period.
- d. Production is valued at its market value.

**16. In the circular flow of expenditure and income,**

- a) Households are sellers and firms are buyers in goods markets.
- b) Households are buyers and firms are sellers in factor markets.
- c) Households are sellers and firms are buyers in factor markets.
- d) Households and firms are both sellers in goods markets.

**17. Investment expenditures include all of the following except**

- a. Additions to inventories.
- b. Replacement of worn out capital.
- c. Purchase of new plant, equipment, and buildings.
- d. Purchase of stocks and bonds.

**18. Aggregate income equals**

- a)  $C + I + G + X - M$ .
- b)  $C + I + G + X$ .
- c)  $C + I + G + S$ .
- d)  $C + I + G + M - X$

**19. Measuring GDP as the sum of consumption expenditures, investment, government purchases of goods and services, and net exports of goods and services is known as the**

- a) Saving approach.
- b) Expenditure approach.



- c) Income approach.
- d) Wealth approach.

**20. GDP equals**

- a. Aggregate expenditure.
- b. Aggregate income.
- c. The value of the aggregate production in a country during a given time period.
- d. . all of the above

**21. The value of final goods and services produced in a given year when valued at constant prices is consumption expenditure.**

- a. Real wealth.
- b. Real GDP.
- c. Nominal GDP.

**22. A comprehensive measure of the general state of economic well-being is**

- a. National income.
- b. Nominal GDP.
- c. Inflation.
- d. Economic welfare.

**23. Which of the following is NOT a component of the incomes approach to GDP?**

- a. Net exports
- b. Wages and salaries
- c. Corporate profits
- d. Proprietors' income

Use Table 2.1 for the next eight questions. Assume there are no indirect taxes, subsidies, or depreciation.

ABLE 2.1

Multiple Choice Questions 10–17

Consumption expenditure	\$200 billion
Government purchases	60 billion
Net taxes	50 billion
Investment	50 billion
Corporate profits	30 billion
Imports	20 billion
Exports	10 billion

**24. How much is aggregate expenditure?**

- a. \$440 billion
- b. \$330 billion
- c. **\$300 billion**
- d. \$270 billion

**25. How much is GDP?**

- a. \$440 billion
- b. \$330 billion
- c. **\$300 billion**
- d. \$270 billion

**26. . How much is aggregate income?**

- a) . \$440 billion
- b) . \$330 billion
- c) . **\$300 billion**
- d) . \$270 billion

**27. How much are net exports**

- e) . \$20 billion
- f) . \$10 billion
- g) \$0
- h) **-\$10 billion**

**28. How much is Household saving?**

- a. \$300 billion
- b. . \$200 billion
- c. \$100 billion
- d. **\$50 billion**

**29. How much is government saving?**

- a) . \$60 billion
- b) \$50 billion
- c) \$0
- d) **-\$10 billion**

**30. How much is national saving?**

- a. . \$200 billion
- b. . \$50 billion
- c. . **\$40 billion**
- d. **-\$10 billion**

**31. How much is the borrowing from the rest of the world?**

- A. \$20 billion
- B. \$10 billion**
- c. \$0
- d. -\$10 billion

**32. Which of the following is NOT a reason that real GDP is a poor measure of a nation's economic welfare?**

- a. Real GDP omits measures of political freedom.
- b. Real GDP does not take into account the value of people's leisure time.
- c. Real GDP does not include the underground economy.
- d. Real GDP overvalues household production.**

**33. The unemployment that results from changes in technology, changes in the skills needed to perform jobs, or a change the location of jobs is**

- a. Structural unemployment.**
- b. Seasonal unemployment.
- c. Cyclical unemployment.
- d. frictional unemployment

**34. The unemployment rate at full employment is called the**

- a) Potential rate of unemployment.
- b) Frictional rate of unemployment.
- c) Natural rate of unemployment.**
- d) Cyclical rate of unemployment.

**35. In a country with a working-age population of 200million, 130 million workers are employed and 10million are unemployed. The unemployment rate is**

- a. 5.0 percent.
- b. **. 7.1 percent.**
- c. 7.7 percent.
- d. . 65.0 percent.

**36. In a country with a working-age population of 200million, 130 million workers are employed and 10million are unemployed. The labor force participation rate is**

- a. 100 percent.
- b. **70 percent.**
- c. 65 percent.
- d. 5 percent.

**37. Which of the following accounts for largest amount of unemployment?**

- a. Job leavers
- b. **Job losers**
- c. New entrants to the labor force
- d. Reentrants to the labor force

**38. Unemployment resulting from a recession is called**

- a. **cyclical unemployment.**
- b. frictional unemployment.
- c. structural unemployment.

d. cycle unemployment

**39. Who of the following is a discouraged worker?**

- a) Cara, who lost her job because of foreign competition and is unemployed until retrained.
- b) . Omar, a fishery worker who is searching for a better job closer to home.
- c) . Eugene, a steelworker who was laid off but has stopped looking for a new job because the economy is in a recession and he thinks he won't be able to find a job.
- d) . Amanda, an office worker who lost her job because of a slowdown in economic activity.

**40. Who of the following is frictionally unemployed?**

- a. Cara, who lost her job because of foreign competition and is unemployed until retrained.
- b. Omar, a fishery worker who is searching for a better job closer to home.
- c. Eugene, a steelworker who was laid off but has stopped looking for a new job because the economy is in a recession and he thinks he won't be able to find a job.
- d. Amanda, an office worker who lost her job because of a slowdown in economic activity

**41. Who of the following is structurally unemployed?**

- a. Cara, who lost her job because of foreign competition and is unemployed until retrained.
- b. Omar, a fishery worker who is searching for a better job closer to home.
- c. Eugene, a steelworker who was laid off but has stopped looking for a new job because the economy is in a recession and he thinks he won't be able to find a job.
- d. Amanda, an office worker who lost her job because of a slowdown in economic activity

**42. Who of the following is cyclically unemployed?**

- a. Cara, who lost her job because of foreign competition and is unemployed until retrained.
- b. Omar, a fishery worker who is searching for a better job closer to home.
- c. Eugene, a steelworker who was laid off but has stopped looking for a new job because the economy is in a recession and he thinks he won't be able to find a job.
- d. Amanda, an office worker who lost her job because of a slowdown in economic activity

**43. At the natural rate of unemployment, there is no**

- a. frictional unemployment.
- b. structural unemployment.
- c. **cyclical unemployment.**
- d. unemployment

**44. If the economy is at full employment,**

- a. the entire population is employed.
- b. the entire labor force is employed.
- c. the only unemployment is frictional unemployment plus discouraged workers.
- d. **real GDP equals potential GDP.**

**45. ) The aggregate demand curve shows**

- A) Total expenditures at different levels of national income.
- B) **The quantity of real GDP demanded at different price levels.**
- C) That real income is directly (positively) related to the price level.
- D) All of the above answers are correct.

**46. The AD curve shows the sum of**

- A) The price level, employment, and real GDP.
- B) Consumption expenditure, investment, and real GDP.
- C) **Consumption expenditure, investment, government expenditures on goods and services, and net exports.**

D) Consumption expenditure, investment, the price level, and real GDP.

**The aggregate demand curve**

A) **Has a negative slope.**

B) Has a positive slope.

C) is vertical.

D) is horizontal

**48. Which of the following is likely to result from a rapid rise in aggregate demand?**

a) Increased unemployment

b) Static living standards

c) **Rising prices**

d) Surplus on the balance of payments

**49. Which of the following is a major influence on AS?**

a) Consumption

b) Government spending

c) **The quality of the factors available**

d) The advice of government

**50. Moving along the aggregate demand curve, a decrease in the quantity of real GDP demanded is a result of**

A) **An increase in the price level.**

B) a decrease in the price level.



C) An increase in income.

D) A decrease in income.

**51. Which of the following would NOT cause a SHIFT in AS?**

a) **The level of government spending**

b) The costs of the factors of production

c) Incentives

D) The structure of the economy

**52. Which of the following changes would NOT shift the aggregate demand curve?**

A) A change in fiscal policy

B) A change in monetary policy

C) A change in expectations about future income

D) **An increase in technology**

**53. Which of the following shifts the aggregate demand curve rightward?**

A) A decrease in consumption

B) **An increase in investment**

C) A decrease in net exports

D) a decrease in government expenditure on goods and services

**54. The aggregate demand curve decreases when**

(a) Government spending is decreased.

(b) Net exports decline.

(c) Taxes are increased.

**(D) all of the above**

**55. The aggregate supply curve is**

(a) The total quantity of raw materials offered for sale at different prices.

(b) The total quantity of final goods and services offered for sale at the current price level.

**(c) The total quantity of final goods and services offered for sale at different price levels.**

(d) The total quantity of intermediate and final goods and service offered for sale at different price Levels.

**56. The aggregate supply curve shows the relationship between**

(a) The level of inputs and aggregate output.

(b) The price level and the level of inputs.

(c) The wage rate and the level of employment.

**(d) The price level and the level of aggregate output supplied**

**57. The AS/AD model studies the relationship between**

A) The price level and unemployment.

**B) The price level and real GDP.**

C) Unemployment and real GDP.

D) Nominal GDP and inflation

58. An increase in the cost of production shifts the aggregate \_\_\_\_\_ curve to the \_\_\_\_\_.

- (a) Demand; right
- (b) Demand; left
- (c) Supply; right
- (d) **Supply; left**

59. in short-run macroeconomic equilibrium

- A) Real GDP equals potential GDP and aggregate demand determines the price level.
- B) The price level is fixed and short-run aggregate supply determines real GDP.
- C) **Real GDP and the price level are determined by short-run aggregate supply and aggregate demand.**
- D) Real GDP is less than potential GDP.

60. The economy is in its short run equilibrium at the point where the

- A) Price level is stable.
- B) SAS curve intersects the LAS curve.
- C) AD curve intersects the LAS curve.
- D) **AD curve intersects the SAS curve**

61. At long-run macroeconomic equilibrium, \_\_\_\_\_.

- A) An inflationary gap exists
- B) **Real GDP equals potential GDP**
- C) A recessionary gap exists

D) Real GDP is less than potential GDP but is as close as it is possible to be

**62. Full-employment equilibrium occurs when**

A) Real GDP exceeds potential GDP.

B) **Real GDP equals potential GDP.**

C) Potential GDP exceeds real GDP.

D) a result of an increase in long-run aggregate supply

**63. Persistent inflation is caused by**

**A. persistent rightward shifts in the AD curve.**

B. persistent rightward shifts in the SAS curve.

C. the tendency for long-run aggregate supply to increase faster than aggregate demand.

D. persistent leftward shifts in the SAS and AD curves.