

Introduction to Macroeconomics 1012

Practise Mid-Term

Time: 2 Hours

Questions:

Instructor: Elsie Sawatzky

Name _____

Student Number _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) A technological improvement is represented by 1) _____
 - A) a movement along the production possibilities frontier.
 - B) a movement from a point inside the production possibilities frontier to a point on the production possibilities frontier.
 - C) a point outside the production possibilities frontier.
 - D) an outward shift of the production possibilities frontier.
 - E) a point inside the production possibilities frontier.

- 2) For the aggregate economy, income equals 2) _____
 - A) expenditure equals GDP.
 - B) GDP, but expenditure is generally less than these.
 - C) expenditure, but these are not generally equal to GDP.
 - D) expenditure equals GDP only if there is no depreciation.
 - E) expenditure equals GDP only if there is no government or foreign sectors.

- 3) The most anyone is willing to pay for another purse is \$30. Currently the price of a purse is \$40, and the cost of producing another purse is \$50. The marginal benefit from a purse is _____. 3) _____
 - A) \$40
 - B) \$50
 - C) \$10
 - D) \$20
 - E) \$30

- 4) The unemployment rate is defined as the number of 4) _____
 - A) unemployed people divided by the number of employed people.
 - B) employed people divided by the number of people in the country.
 - C) unemployed people divided by the number of people in the country.
 - D) unemployed people divided by the sum of the people employed and the people unemployed.
 - E) unemployed people divided by the number of people in the country who are employed.

- 5) Any two individuals will gain from exchange 5) _____
 - A) unless one has an absolute advantage in producing all goods.
 - B) if each specializes in the production of the good for which he has the higher opportunity cost.
 - C) unless they have the same opportunity costs for producing all goods.
 - D) unless they have different opportunity costs for producing all goods.
 - E) unless they have the same absolute advantage in producing all goods.

Use the information below to answer the following questions.

Fact 2.4.2

Agnes can produce either 1 unit of X or 1 unit of Y in an hour, while Brenda can produce either 2 units of X or 4 units of Y in an hour.

- 6) Complete the following sentence. Given Fact 2.4.2, 6) _____
- A) there will be gains from trade, no matter what Brenda and Agnes specialize in, as long as they specialize.
 - B) there will be gains from trade only if Agnes specializes in the production of Y and Brenda in X.
 - C) there will be gains from trade only if Agnes becomes faster at producing X.
 - D) there will be no gains from trade because Agnes has an absolute advantage.
 - E) there will be gains from trade if Agnes specializes in the production of X and Brenda in Y.
- 7) Given Fact 2.4.2, the opportunity cost of producing a unit of Y is 7) _____
- A) 1 unit of Y for Agnes and 2 units of Y for Brenda.
 - B) 1 unit of Y for Agnes and 1/2 unit of Y for Brenda.
 - C) 1 hour for Agnes and 1/2 hour for Brenda.
 - D) 1 hour for Agnes and 2 hours for Brenda.
 - E) 1 unit of X for Agnes and 1/2 unit of X for Brenda.
- 8) Given Fact 2.4.2, the opportunity cost of producing a unit of X is 8) _____
- A) 1 unit of Y for Agnes and 2 units of Y for Brenda.
 - B) 1 unit of Y for Agnes and 1/2 unit of Y for Brenda.
 - C) 1 hour for Agnes and 1/2 hour for Brenda.
 - D) 1 hour for Agnes and 2 hours for Brenda.
 - E) 1 hour for Agnes and 1/4 hour for Brenda.
- 9) Refer to Fact 2.4.2. Which one of the following statements is true? 9) _____
- A) Brenda has an absolute advantage over Agnes in the production of both goods.
 - B) Agnes has a comparative advantage in the production of Y.
 - C) Brenda has a comparative advantage in the production of X.
 - D) Brenda will not gain from trade.
 - E) Agnes will not gain from trade.
- 10) Which one of the following variables is *not* held constant along a given aggregate demand curve? 10) _____
- A) the price level
 - B) real income
 - C) fiscal policy
 - D) expectations about inflation
 - E) tax rates
- 11) Allocative efficiency refers to a situation where 11) _____
- A) we cannot produce more of any one good without giving up some other good.
 - B) goods and services are produced at the lowest possible cost and in the quantities that provide the greatest possible benefit.
 - C) opportunity cost is zero.
 - D) opportunity costs are equal.
 - E) none of the above.
- 12) When a firm decides to produce computers using robots instead of people, it is answering the _____ question. 12) _____
- A) "how" B) "who" C) "what" D) "when" E) "where"
- 13) The labour force is 13) _____

- A) the total number of people in the working-age population who are either employed or unemployed.
- B) the total number of people in the working-age population who are employed.
- C) the total number of people employed.
- D) the total number of people aged 15 years and over.
- E) none of the above.

Use the figure below to answer the following questions.

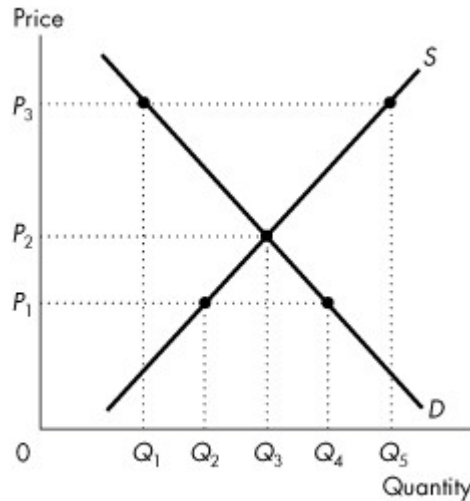


Figure 3.4.1

- 14) At price P_3 in Figure 3.4.1, 14) _____
- A) this market is in equilibrium.
 - B) there is a shortage in the amount of $Q_5 - Q_1$.
 - C) there is a tendency for the price to rise.
 - D) equilibrium quantity is Q_5 .
 - E) there is a surplus in the amount of $Q_5 - Q_1$.
- 15) At price P_2 in Figure 3.4.1, which one of the following is *not* true? 15) _____
- A) This market is in equilibrium.
 - B) The quantity demanded is equal to the quantity supplied.
 - C) The quantity demanded is Q_1 .
 - D) There is no surplus.
 - E) The quantity supplied is Q_3 .
- 16) At price P_1 in Figure 3.4.1 16) _____
- A) there is a surplus in the amount of $Q_4 - Q_2$.
 - B) there is a shortage in the amount of $Q_4 - Q_2$.
 - C) there is a tendency for the price to fall.
 - D) the equilibrium quantity is Q_2 .
 - E) the equilibrium quantity is Q_4 .
- 17) A technological improvement is represented by 17) _____
- A) an outward shift of the production possibilities frontier.
 - B) a movement along the production possibilities frontier.

- C) a point inside the production possibilities frontier.
- D) a point outside the production possibilities frontier.
- E) a movement from a point inside the production possibilities frontier to a point on the production possibilities frontier.

Use the figure below to answer the following questions.

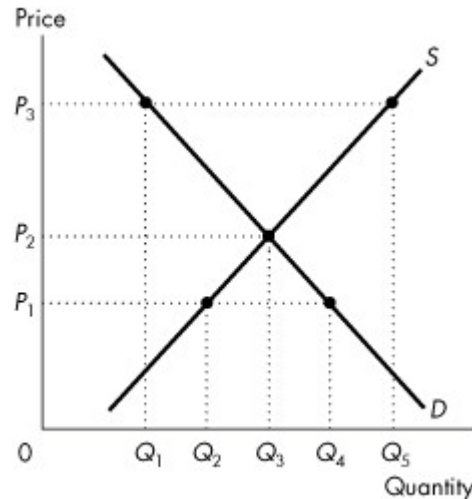


Figure 3.4.1

- 18) At price P_1 in Figure 3.4.1, 18) _____
- A) producers can sell all they plan to sell.
 - B) consumers can buy all they want.
 - C) producers are unwilling to sell any goods.
 - D) a surplus exists.
 - E) both sides of the market are able to carry out their desired transactions.
- 19) If A and B are substitutes and the price of A rises, we will observe 19) _____
- A) an increase in the equilibrium price and the equilibrium quantity of B .
 - B) a decrease in the equilibrium price and the equilibrium quantity of B .
 - C) an increase in the equilibrium price but a decrease in the equilibrium quantity of B .
 - D) a decrease in equilibrium price but an increase in the equilibrium quantity of B .
 - E) none of the above.
- 20) SaskWidget produces plastic parts. At the beginning of the year, they held \$24 million worth of capital. At the end of the year, they held \$20 million worth of capital. One can conclude that 20) _____
- A) net investment increased by \$4 million.
 - B) gross investment decreased by \$4 million.
 - C) gross investment increased by \$4 million.
 - D) depreciation exceeded gross investment by \$4 million.
 - E) depreciation equals \$4 million.
- 21) If demand increases and supply decreases, then the 21) _____
- A) equilibrium quantity increases but the effect on the equilibrium price is unknown.
 - B) equilibrium quantity decreases but the effect on the equilibrium price is unknown.
 - C) equilibrium price falls but the effect on the equilibrium quantity is unknown.
 - D) equilibrium price rises but the effect on the equilibrium quantity is unknown.
 - E) effect on both equilibrium price and quantity is unknown.

Use the figure below to answer the following questions.

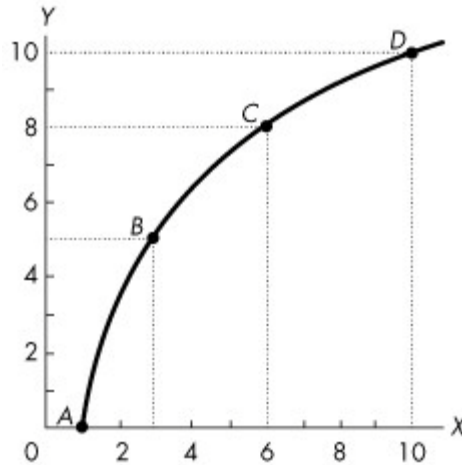


Figure 1A.3.3

- 22) Figure 1A.3.3 illustrates two variables, x and y , which are _____ 22) _____
- A) negatively related, with a decreasing slope as x increases.
 - B) negatively related, with an increasing slope as x increases.
 - C) positively related, with a decreasing slope as x increases.
 - D) positively related, with an increasing slope as x increases.
 - E) positively related, with slope first increasing then decreasing.
- 23) In Figure 1A.3.3, the slope across arc AB is _____ 23) _____
- A) $1/2$.
 - B) 1 .
 - C) $3/2$.
 - D) $5/2$.
 - E) $5/3$.

Use the figure below to answer the following questions.

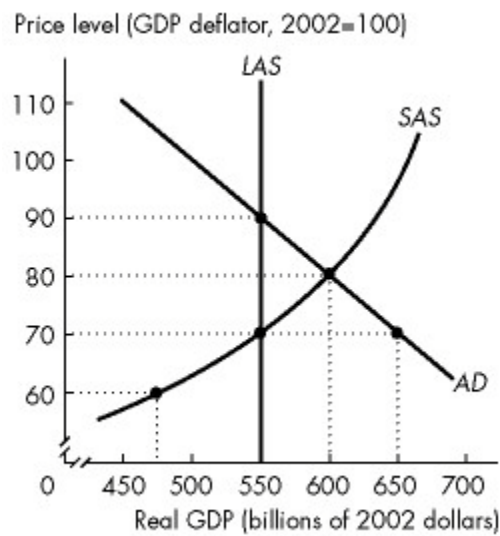


Figure 26.3.2

- 24) Refer to Figure 26.3.2. Short-run macroeconomic equilibrium real GDP in Mythlo is _____ billion. 24) _____
- A) \$500
 - B) \$650
 - C) \$550
 - D) \$600
 - E) \$475

- 25) Refer to Figure 26.3.2. When the economy of Mythlo is in short-run macroeconomic equilibrium, the price level is _____
 A) 65. B) 95. C) 70. D) 75. E) 80.
- 26) Refer to Figure 26.3.2. As the economy of Mythlo automatically adjusts to long-run equilibrium, the _____
 A) SAS curve shifts rightward.
 B) AD curve shifts rightward.
 C) SAS curve shifts leftward.
 D) AD curve shifts leftward.
 E) LAS curve shifts rightward.

Use the figure below to answer the following questions.

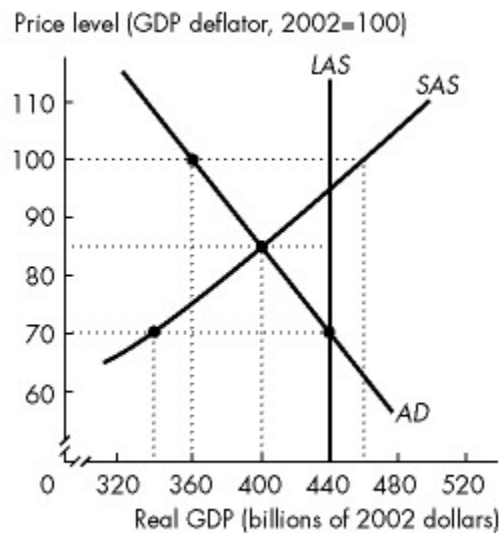


Figure 26.3.1

- 27) Refer to Figure 26.3.1. As Econoworld automatically adjusts to long-run equilibrium, the _____
 A) AD curve shifts rightward.
 B) SAS curve shifts leftward.
 C) SAS curve shifts rightward.
 D) LAS curve shifts leftward.
 E) AD curve shifts leftward.
- 28) Refer to Figure 26.3.1. If Econoworld automatically adjusts to a long-run equilibrium, then in the long-run macroeconomic equilibrium _____
 A) the price level is 70.
 B) real GDP is \$440 billion.
 C) actual unemployment exceeds the natural unemployment rate.
 D) potential GDP is greater than in the short run.
 E) both A and B.
- 29) Two variables are positively related if _____
 A) any change in one causes a decrease in the other.
 B) increases in one are associated with increases in the other.
 C) decreases in one are associated with increases in the other.
 D) increases in one are associated with decreases in the other.

E) any change in one causes an increase in the other.

Use the table below to answer the following question.

Table 1A.2.2

<i>y</i>	4	6	8	10	12
<i>z</i>	1	2	3	4	5

- 30) Refer to Table 1A.2.2. What type of relationship exists between *y* and *z*? 30) _____
- A) negative
 - B) positive
 - C) inverse
 - D) No consistent relationship exists.
 - E) first a positive relationship, then a negative one
- 31) Complete the following sentence. As you consume more and more of a good, 31) _____
- A) marginal benefit decreases.
 - B) marginal benefit increases.
 - C) marginal benefit always equals marginal cost.
 - D) the price of the good falls.
 - E) marginal benefit increases or decreases depending on where you are on the production possibilities frontier.
- 32) In a country with a working-age population of 20 million, 13 million are employed, 1.5 million are unemployed, and 1 million of the employed are working part-time, half of whom wish to work full-time. The labour force participation rate is 32) _____
- A) 75.5 percent.
 - B) 72.5 percent.
 - C) 65 percent.
 - D) 57.5 percent.
 - E) none of the above.
- 33) If the labor force participation rate is rising and the working-age population is not changing, then the 33) _____
- A) number of unemployed people is rising and the size of the labor force is falling.
 - B) size of the labor force is falling.
 - C) number of employed people must be increasing.
 - D) size of the labor force is rising.
 - E) number of unemployed people is falling and the size of the labor force is rising.
- 34) Gross domestic product is 34) _____
- A) the market value of all goods and services produced in a country during a given time period.
 - B) the market value of all the final goods and services produced in a country during a given time period.
 - C) the market value of all the intermediate goods and services produced in a country during a given time period.
 - D) the average value of output produced in a country in a given time period.
 - E) the final value of all goods produced in a country in a given time period.

Use the table below to answer the following questions.

Table 20.2.3

Item	Millions of dollars
Wages paid to labour	800,000
Consumption expenditure	650,000
Taxes paid on wages	200,000
Government payments to support unemployed, sick, & aged	50,000
Firms' profits	200,000
Investment	250,000
Taxes paid on profits	50,000
Government expenditure on goods and service	200,000
Exports	250,000
Saving	200,000
Imports	300,000

- 35) Refer to Table 20.2.3. Consider the economy represented in the table. GDP in this economy, in millions of dollars, is 35) _____
- A) \$1,150,000
 - B) \$850,000.
 - C) \$1,350,000.
 - D) \$1,050,000.
 - E) none of the above.
- 36) Refer to Table 20.2.3. Consider the economy represented in the table. Total income, in millions of dollars, is 36) _____
- A) \$800,000.
 - B) \$850,000.
 - C) \$1,350,000.
 - D) \$1,050,000.
 - E) none of the above.
- 37) A marginal benefit curve measures 37) _____
- A) expenditure.
 - B) comparative advantage.
 - C) absolute advantage.
 - D) opportunity cost.
 - E) willingness to pay.
- 38) Which one of the following people is structurally unemployed? 38) _____
- A) a steel worker who is laid off but who expects to be called back soon
 - B) an office worker who has lost her job because of a general slowdown in economic activity
 - C) a Nova Scotia fishery worker who is searching for a better job closer to home
 - D) a Saskatchewan welder who lost her job when her company relocated to B. C. and is currently looking for a job
 - E) none of the above
- 39) Suppose that the unemployment rate equals 4.5 percent and that the natural unemployment rate is 5.5 percent. We can conclude that 39) _____
- A) potential GDP is greater than real GDP.
 - B) we have mismeasured the natural unemployment rate.
 - C) potential GDP equals real GDP.
 - D) real GDP is greater than nominal GDP.

E) potential GDP is less than real GDP.

- 40) Full employment does not mean that there is zero unemployment because 40) _____
A) of unrealistic wage expectations.
B) some cyclical unemployment is always present.
C) some frictional unemployment is always present.
D) business fluctuations are inevitable.
E) of the existence of discouraged workers.
- 41) Which one of the following is an income flow from firms to households? 41) _____
A) Payments for factor services.
B) Payments for goods and services.
C) Factor services.
D) Loans.
E) Goods and services.
- 42) Debra has an absolute advantage in producing a good when she 42) _____
A) can produce more of that good than anyone else, using the same quantity of inputs.
B) can produce the good at lower opportunity cost than anyone else.
C) has better technology than anyone else.
D) has exclusive rights to sell that good.
E) has a comparative advantage in producing that good.
- 43) In calculating GDP, economists use the value of final goods and services because 43) _____
A) by using final goods and services, they avoid double counting.
B) final goods can be exported to other countries.
C) intermediate goods are imported from other countries.
D) GDP is underestimated if intermediate goods are used instead.
E) none of the above.
- 44) Capital in year 2012 equals capital in year 2011 44) _____
A) minus depreciation.
B) plus net investment plus depreciation.
C) plus gross investment.
D) plus net investment.
E) plus net investment minus depreciation.

Use the table below to answer the following questions.

Table 20.2.6

There are only two goods in this economy.

	Price		Quantity	
	Base Year (dollars)	Current Year (dollars)	Base Year	Current Year
Bread	1.00	2.10	70,000	75,000
Computer Disks	1.00	1.80	25,000	18,000

- 45) Refer to Table 20.2.6. Consider the data in this table. What is current nominal GDP? 45) _____
A) \$189,900
B) \$192,000
C) \$95,000
D) \$93,000

E) None of the above

- 46) Refer to Table 20.2.6. Consider the data in this table. What is current real GDP in terms of base-year prices? 46) _____
- A) \$189,900
 - B) \$192,000
 - C) \$95,000
 - D) \$93,000
 - E) None of the above
- 47) The expenditure approach measures GDP by adding together 47) _____
- A) wages, salaries and supplementary labour income, corporate profits, interest and miscellaneous investment income, farmers' income, and income of nonfarm unincorporated businesses.
 - B) compensation of employees, rental income, corporate profits, net interest, proprietors' income, indirect taxes paid, and capital consumption expenditures, and by subtracting subsidies paid by the government.
 - C) wages, salaries and supplementary labour income, corporate profits, interest and miscellaneous investment income, farmers' income, subsidies paid by the government, indirect taxes paid, and income of nonfarm unincorporated businesses.
 - D) the total expenditures of consumers and firms.
 - E) the total expenditures of consumers, firms, net exporters, and by governments at all levels.

Use the figure below to answer the following questions.



Figure 22.3.2

- 48) Refer to Figure 22.3.2. The equilibrium real wage rate is 48) _____
- A) any wage rate below \$15 an hour.
 - B) \$10 an hour.
 - C) \$20 an hour.
 - D) any wage rate above \$15 an hour.
 - E) \$15 an hour.
- 49) An increase in oil prices to a country that is a net importer of oil shifts 49) _____
- A) both the short-run aggregate supply and long-run aggregate supply curves rightward.
 - B) both the short-run aggregate supply and long-run aggregate supply curves leftward.

- C) the short-run aggregate supply curve leftward, but leaves the long-run aggregate supply curve unchanged.
- D) the short-run aggregate supply curve leftward, but shifts the long-run aggregate supply curve rightward.
- E) the long-run aggregate supply curve rightward, but leaves the short-run aggregate supply curve unchanged.

- 50) The marginal benefit curve for a good 50) _____
- A) shows the benefit a firm receives from producing one more unit of that good.
 - B) shows the most a consumer is willing to pay for one more unit of that good.
 - C) is upward-sloping.
 - D) is bowed outward.
 - E) none of the above.
- 51) Complete the following sentence. Marginal cost 51) _____
- A) is always greater than marginal benefit.
 - B) is unrelated to the production possibilities frontier.
 - C) remains constant.
 - D) always equals marginal benefit.
 - E) is the opportunity cost of producing one more unit of a good or service.
- 52) Opportunity cost is 52) _____
- A) your value of leisure.
 - B) the highest-valued alternative that we give up to get something.
 - C) the value of your favourite activity.
 - D) the marginal benefit from an activity.
 - E) the money you spend on food, shelter, and clothing.
- 53) Which one of the following people would be counted as unemployed in Canada? 53) _____
- A) Ron has quit looking because he believes that there is no work available for him.
 - B) Simone is currently working but expects to be laid off by the end of the month, before next month's survey can be completed.
 - C) Ruth is a 14-year-old student and has been looking for an after-school job every day for the past month.
 - D) Sarah has been looking for a job but is taking a month-long break from the job-seeking effort due to her lack of skills.
 - E) Rebekah is a recent graduate looking for work.
- 54) The sum of wages, salaries and supplementary labour income, corporate profits, interest and miscellaneous investment income, farmers' income, and income of non-farm unincorporated businesses, is 54) _____
- A) net domestic product.
 - B) gross domestic product.
 - C) total output of the economy.
 - D) gross domestic income.
 - E) net domestic income at factor cost.
- 55) When the quantity of labour demanded exceeds the quantity of labour supplied, the real wage rate 55) _____
- A) falls to eliminate the labour market surplus.
 - B) rises to eliminate the labour market surplus.
 - C) rises to eliminate the labour market shortage.

- D) falls to eliminate the labour market shortage.
- E) does not change but the money wage rate rises to eliminate the labour market shortage.

- 56) Complete the following sentence. Potential GDP 56) _____
- A) never changes.
 - B) is the level of real GDP when unemployment is zero.
 - C) increases as the price level rises.
 - D) does not vary with the price level.
 - E) increases as the quantity of money in the economy increases.
- 57) Suppose there is an increase in the quantity of capital. As a result, the *SAS* 57) _____
- A) shifts rightward, but the *LAS* curve does not shift.
 - B) and the *LAS* curves both shift rightward.
 - C) and the *LAS* curves both shift leftward.
 - D) curve does not shift but the *LAS* curve shifts rightward.
 - E) curve does not shift but the *LAS* curve shifts leftward.
- 58) In an economy lacking property rights, it would be _____ to realize the gains from trade and 58) _____
there would be _____ specialization compared to an economy with property rights.
- A) more difficult; less
 - B) more difficult; more
 - C) easier; less
 - D) easier; more
 - E) none of the above
- 59) Production efficiency is achieved when 59) _____
- A) resources are not equally productive in all activities.
 - B) there are no more tradeoffs.
 - C) the production possibilities frontier shifts outward at an even pace.
 - D) all resources are equally productive in all activities.
 - E) we produce goods and services at the lowest possible cost.
- 60) Short-run macroeconomic equilibrium *always* occurs when the 60) _____
- A) economy is at full employment.
 - B) economy is below full employment.
 - C) quantity of real GDP demanded equals the quantity of real GDP supplied.
 - D) *AD* curve intersects the *LAS* curve.
 - E) economy is above full employment.
- 61) If the CPI was 128 at the end of 2011 and 136 and the end of 2012, what was the inflation rate in 2012? 61) _____
- A) 4.2 percent
 - B) 5.9 percent
 - C) 6.25 percent
 - D) 8 percent
 - E) 9.4 percent
- 62) During the next hour John can choose one of the following three activities: playing basketball, 62) _____
watching television, or reading a book. The opportunity cost of reading a book
- A) is the value of playing basketball if John prefers that to watching television.
 - B) depends on how much John enjoys the book.
 - C) is the value of playing basketball *and* the value of watching television.

- D) is the value of watching television if John prefers playing basketball to watching television.
E) depends on how much the book cost when it was purchased.

- 63) The defining feature of the classical view of macroeconomics is that the economy is _____ 63) _____
A) rarely at full employment.
B) driven by expectations called "animal spirits."
C) self-regulating and always at full employment.
D) constantly bombarded by shocks that arise from the uneven pace of technological change.
E) the most significant influence on aggregate demand is expectations.
- 64) The flows in the market economy that go from firms to households are _____. 64) _____
The flows in the market economy that go from households to firms are _____.
A) the income flows of wages, rent, interest, and profits and the flow of expenditure on goods and services; the real flows of goods and services and the real flows of labour, land, capital and entrepreneurship
B) the real flows of goods and services and the income flows of wages, rent, interest and profits; the real flows of labour, land, capital and entrepreneurship and the flow of expenditure on goods and services
C) all flowing through factor markets; all flowing through goods markets
D) all flowing through goods markets; all flowing through factor markets
E) the real flows of goods and services and the real flows of labour, land, capital and entrepreneurship; the income flows of wages, rent, interest, and profits and the flow of expenditure on goods and services
- 65) Economic growth results when there are increases in _____ 65) _____
A) the inflationary gap.
B) aggregate demand.
C) long-run aggregate supply.
D) short-run aggregate supply resulting from falling money wage rates and falling factor prices.
E) the real wage rate.
- 66) Which one of the following is an example of land? 66) _____
A) Bono's singing voice
B) a computer program
C) Lake Erie
D) a road
E) a dam
- 67) The depletion of fish stocks in Eastern Canada, with its accompanying unemployment, will lead to a _____ 67) _____
A) movement from the existing production possibilities frontier to a point inside the production possibilities frontier.
B) shift outward of the existing production possibilities frontier.
C) shift inward of the existing production possibilities frontier plus a movement to a point inside the new production possibilities frontier.
D) movement along the existing production possibilities frontier to a point of less fish production.
E) shift inward of the existing production possibilities frontier.
- 68) The two big economic questions _____ 68) _____
A) involve self-interest only.

- B) involve only social interest.
- C) involve neither self-interest nor social interest.
- D) do not arise from scarcity.
- E) involve both self-interest and social interest.

Use the figure below to answer the following question.

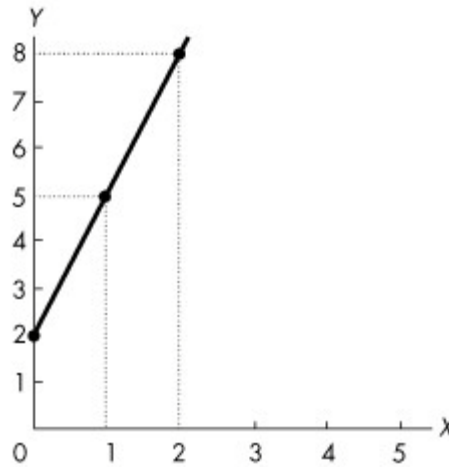


Figure 1A.3.6

- 69) What is the slope of the line in Figure A1.3.6? 69) _____
 A) 2 B) 1/2. C) 3 D) 1/3 E) -3
- 70) The inflation rate measures 70) _____
 A) the annual change in the price level.
 B) the average price level.
 C) the annual percentage change in the wage rate.
 D) the annual percentage change in the price level.
 E) none of the above.
- 71) To earn income, people sell the services of the factors of production they own. Land earns _____; labour earns _____; capital earns _____ and entrepreneurship earns _____. 71) _____
 A) profit; wages; rent; interest
 B) rent; wages; interest; profit
 C) wages; interest; profit; rent
 D) interest; profit; rent; wages
 E) profit; interest; wages; rent
- 72) A production possibilities frontier is negatively sloped because 72) _____
 A) some resources are unused.
 B) there is not enough capital in the economy.
 C) more goods are purchased as price falls.
 D) of opportunity cost.
 E) of increasing consumption.
- 73) A recessionary gap is the amount by which 73) _____
 A) potential GDP exceeds real GDP.
 B) demand will increase to achieve full employment at a given price level.
 C) the supply curve must increase to achieve full employment at a given price level.

- D) the price level must adjust to achieve full employment.
- E) real GDP exceeds potential GDP.

- 74) The short-run aggregate supply curve is the relationship between the quantity of real GDP supplied and _____
A) the quantity of real GDP demanded.
B) real income.
C) the inflation rate.
D) the real interest rate.
E) the price level.
- 75) A technological advance shifts _____
A) both *SAS* and *AD* rightward.
B) both *SAS* and *LAS* leftward.
C) *SAS* rightward but leaves *LAS* unchanged.
D) *LAS* rightward but leaves *SAS* unchanged.
E) both *SAS* and *LAS* rightward.
- 76) A vertical long-run aggregate supply curve indicates that _____
A) an increase in the price level will not expand an economy's output in the long run.
B) output rates greater than the long-run output rate are unattainable.
C) an increase in the price level will permit the economy to achieve a higher level of output.
D) an increase in the price level will increase technological change and economic growth.
E) the long-run aggregate supply curve never shifts.
- 77) Individuals *A* and *B* can both produce good *X*. We say that *A* has a comparative advantage in the production of good *X* if _____
A) *A* has a higher opportunity cost of producing *X* than *B*.
B) *A* can produce *X* using newer technology than *B*.
C) *A* can produce less units of *X* in a given time period than *B*.
D) *A* has a lower opportunity cost of producing *X* than *B*.
E) *A* can produce more units of *X* in a given time period than *B*.
- 78) The production possibilities frontier _____
A) is the boundary between attainable and unattainable levels of production.
B) shows prices at which production is possible and impossible.
C) illustrates why there need not be any scarcity in the world.
D) shows how production increases as prices rise.
E) is the boundary between what we want to consume and what we want to produce.
- 79) The quantity of real GDP demanded is the sum of real consumption expenditure (*C*), investment (*I*), _____
A) exports (*X*), and imports (*M*).
B) and exports (*X*) minus imports (*M*).
C) government expenditure (*G*), exports (*X*), and imports (*M*).
D) government expenditure (*G*), and exports (*X*) minus imports (*M*).
E) and government expenditure (*G*).
- 80) The natural unemployment rate is _____
A) the same as the cyclical unemployment rate.
B) the rate at which cyclical unemployment is equal to 0 percent.
C) the rate at which cyclical unemployment is equal to 6 percent.

- D) equal to 0 percent.
- E) none of the above.

- 81) The creation of a successful movie can influence the main questions that economics seeks to answer. Choose the statement that is *false*. 81) _____
- A) The movie influences the *how* question because the movie can create new production techniques, which can be used in subsequent films.
 - B) The movie influences the *for whom* question because the people who earn higher incomes through the movie production buy more goods and services.
 - C) The movie influences the *when* question because movie crews work on many different films and must be available for the entire production.
 - D) The movie influences the *what* question because it can lead to spinoff goods or a new movie genre, which can result in the production of similar films.
 - E) The movie influences the *how* question because it can use unknown actors or Academy Award winners.
- 82) In a country with a working-age population of 20 million, 13 million are employed, 1.5 million are unemployed, and 1 million of the employed are working part-time, half of whom wish to work full-time. The size of the labour force is 82) _____
- A) 11.5 million.
 - B) 20 million.
 - C) 15.5 million.
 - D) 13 million.
 - E) 14.5 million.
- 83) Refer to Figure 22.3.2. If the real wage is \$20 an hour, a labour 83) _____
- A) shortage will occur and the real wage will fall.
 - B) surplus will occur and the demand for labour will increase.
 - C) shortage will occur and the real wage will rise.
 - D) surplus will occur and the real wage will fall.
 - E) surplus will occur and the real wage will rise.
- 84) Which one of the following people would be counted as unemployed in Canada? 84) _____
- A) Doris works only 5 hours a week but is looking for a full-time job.
 - B) Kanhaya has stopped looking for work since he was unable to find a suitable job during a two-month search.
 - C) Sharon recently began looking for work after staying at home for 10 years to look after her children.
 - D) Maurice is on a 2 month vacation out of the country but is still looking for a job using the internet.
 - E) Taylor is a homemaker.
- 85) The consumer price index is a measure of 85) _____
- A) the consumer prices paid by average households for a fixed basket of goods and services.
 - B) the average of the prices paid by urban consumers for a fixed basket of consumer goods and services.
 - C) the lowest prices paid by urban consumers for a fixed basket of consumer goods and services.
 - D) the average of the prices paid by rural consumers for a fixed basket of consumer goods and services.
 - E) the commodity prices paid by urban consumers for a fixed basket of consumer goods and services.

- 86) In a recession, typically 86) _____
 A) unemployment rises.
 B) the employment-to-population ratio decreases.
 C) the employment-to-population rate rises.
 D) the labour force participation rate rises.
 E) both A and B are correct.
- 87) The economy cannot remain indefinitely with real GDP greater than potential GDP because the 87) _____
 money wage rate will
 A) decrease, shifting the LAS curve rightward.
 B) decrease, shifting the SAS curve rightward.
 C) increase, shifting the LAS curve leftward.
 D) increase, shifting the SAS curve leftward.
 E) increase, shifting the SAS curve rightward.
- 88) The economy cannot remain indefinitely with real GDP greater than potential GDP because the 88) _____
 money wage rate will
 A) decrease, shifting the LAS curve rightward.
 B) increase, shifting the LAS curve leftward.
 C) increase, shifting the SAS curve leftward.
 D) decrease, shifting the SAS curve rightward.
 E) increase, shifting the SAS curve rightward.
- 89) If Sam is producing at a point inside his production possibilities frontier, then he 89) _____
 A) is fully using all his resources and allocating his resources to their best use.
 B) must be doing the best he can with limited resources.
 C) has a high opportunity cost of moving from this point.
 D) is unaffected by costs and technology.
 E) can increase production of both goods with zero opportunity cost.
- 90) Which of the following situations illustrates how monetary policy can influence aggregate 90) _____
 demand?
 A) The Bank of Canada raises interest rates so people plan to buy less consumer durables. As a result, the aggregate demand curve shifts leftward.
 B) The government reduces the goods and services tax. As a result, consumption expenditure increases and aggregate demand increases.
 C) The exchange rate value of the Canadian dollar rises. As a result, people living near the US-Canada border increase their imports of goods and net exports decrease.
 D) Investors, anticipating an erosion of financial wealth due to inflation, decide to save more. As a result, aggregate demand decreases.
 E) Both A and D are examples of monetary policy.
- 91) When a textile firm decides to produce more silk fabric and less cotton fabric, it is answering the 91) _____
 _____ question.
 A) "who" B) "how" C) "what" D) "where" E) "when"
- 92) Unemployment caused by permanently decreased demand for horse-drawn carriages is an 92) _____
 example of
 A) cyclical unemployment.
 B) seasonal unemployment.
 C) frictional unemployment.

- D) structural unemployment.
- E) discouraged unemployment.

- 93) When a farmer decides to harvest tomatoes using machines instead of migrant workers, the farmer is answering the _____ question. 93) _____
A) "what" B) "how" C) "who" D) "where" E) "when"
- 94) Your total wealth is \$1,000, which you are holding in your savings account. If the price level rises by 10 percent, your wealth 94) _____
A) decreases to \$990.
B) increases to \$1,100.
C) increases by an unknown amount.
D) is unchanged.
E) is worth 10 percent less than before the price level change.
- 95) If the number of discouraged workers decreases because many of them start to look for work, everything else remaining the same, then the 95) _____
A) unemployment rate will increase.
B) employment-to-population ratio will decrease.
C) labour force participation rate will increase.
D) labour force participation rate will decrease.
E) both A and C.
- 96) At full employment, there is no 96) _____
A) natural unemployment.
B) unemployment.
C) cyclical unemployment.
D) structural unemployment.
E) frictional unemployment.
- 97) Which one of the following correctly describes how price adjustment eliminates a surplus? 97) _____
A) As the price falls, the quantity demanded decreases and the quantity supplied increases.
B) As the price falls, the demand for substitutes decreases, which eliminates the surplus.
C) As the price rises, the quantity demanded increases and the quantity supplied decreases.
D) As the price falls, the quantity demanded increases and the quantity supplied decreases.
E) As the price rises, the quantity demanded decreases and the quantity supplied increases.
- 98) Everything else remaining the same, the short-run aggregate supply curve shifts rightward if 98) _____
A) factor prices increase.
B) the full-employment quantity of labour increases.
C) the money wage rate increases.
D) aggregate demand increases.
E) the quantity of capital decreases.
- 99) Which one of the following people is frictionally unemployed? A steel worker who 99) _____
A) decides to leave the labour force and become a full-time ballet student.
B) is laid off but expects to be called back soon.
C) becomes discouraged and stops looking for a job.
D) loses her job because of technological change.
E) gives up her job because she retires.

Use the table below to answer the following question.

- 1) D
- 2) A
- 3) E
- 4) D
- 5) C
- 6) E
- 7) E
- 8) A
- 9) A
- 10) A
- 11) B
- 12) A
- 13) A
- 14) E
- 15) C
- 16) B
- 17) A
- 18) A
- 19) A
- 20) D
- 21) D
- 22) C
- 23) D
- 24) D
- 25) E
- 26) C
- 27) C
- 28) E
- 29) B
- 30) B
- 31) A
- 32) B
- 33) D
- 34) B
- 35) D
- 36) D
- 37) E
- 38) D
- 39) E
- 40) C
- 41) A
- 42) A
- 43) A
- 44) D
- 45) A
- 46) D
- 47) E
- 48) E
- 49) C
- 50) B
- 51) E

- 52) B
- 53) E
- 54) E
- 55) C
- 56) D
- 57) B
- 58) A
- 59) E
- 60) C
- 61) C
- 62) A
- 63) C
- 64) B
- 65) C
- 66) C
- 67) C
- 68) E
- 69) C
- 70) D
- 71) B
- 72) D
- 73) A
- 74) E
- 75) E
- 76) A
- 77) D
- 78) A
- 79) D
- 80) B
- 81) C
- 82) E
- 83) D
- 84) C
- 85) B
- 86) E
- 87) D
- 88) C
- 89) E
- 90) A
- 91) C
- 92) D
- 93) B
- 94) E
- 95) E
- 96) C
- 97) D
- 98) B
- 99) B
- 100) D