Name: ________________________ Class: ___________________ Date: __________ ID: A

MacPrin-ch.20-21-quiz

Multiple Choice
Identify the letter of the choice that best completes the statement or answers the question.

____ 1. If at some interest rate the quantity of money supplied is greater than the quantity of money demanded, people will desire to
 a. sell interest-bearing assets causing the interest rate to decrease.
 b. sell interest-bearing assets causing the interest rate to increase.
 c. buy interest-bearing assets causing the interest rate to decrease.
 d. buy interest-bearing assets causing the interest rate to increase.

____ 2. People will want to hold less money if the price level
 a. or the interest rate increases.
 b. or the interest rate decreases.
 c. increases or the interest rate decreases.
 d. decreases or the interest rate increases.

____ 3. If the stock market crashes,
 a. aggregate demand increases, which the Fed could offset by increasing the money supply.
 b. aggregate demand increases, which the Fed could offset by decreasing the money supply.
 c. aggregate demand decreases, which the Fed could offset by increasing the money supply.
 d. aggregate demand decreases, which the Fed could offset by decreasing the money supply.

____ 4. Which of the following shifts aggregate demand right?
 a. an increase in government expenditures or a decrease in the price level
 b. a decrease in government expenditures or an increase in the price level
 c. an increase in government expenditures, but not a change in the price level
 d. a decrease in the price level, but not an increase in government expenditures

____ 5. The multiplier effect is the multiplied impact on
 a. the money supply of a given increase in government purchases.
 b. tax revenues of a given increase in government purchases.
 c. investment of a given increase in interest rates.
 d. aggregate demand of a given increase in government purchases.

____ 6. The government purchases multiplier is defined as
 a. 1/*MPC*.
 b. 1/(1 - *MPC*).
 c. *MPC*/(1 - *MPC*).
 d. (1 - *MPC*)/*MPC*.

____ 7. If there is crowding out, which of the following might decrease as government expenditures increased?
 a. the overall change in real GDP
 b. the demand for money curve
 c. interest rates
 d. demand for capital goods

____ 8. Most economists use the aggregate demand and aggregate supply model primarily to analyze
 a. short-run fluctuations in the economy.
 b. the effects of macroeconomic policy on the prices of individual goods.
 c. the long-run effects of international trade policies.
 d. productivity and economic growth.

____ 9. Which of the following is incorrect concerning the long run?
a. Higher money supply growth leads to higher output growth.
b. An unemployment rate of zero is unobtainable.
c. Per-capita real GDP depends on productivity.
d. An increase in the money supply raises the price level.

____ 10. A rise in the economy's overall level of prices tends to
a. raise both the quantity demanded and supplied of goods and services.
b. raise the quantity demanded of goods and services, but lower the quantity supplied.
c. lower the quantity demanded of goods and services, but raise the quantity supplied.
d. lower both the quantity demanded and the quantity supplied of goods and services.

____ 11. A decrease in the price level makes the dollars people hold worth
a. more, so they spend more.
b. more, so they spend less.
c. less, so they spend more.
d. less, so they spend less.

____ 12. The aggregate demand curve slopes
a. downward because higher prices cause the exchange rate to depreciate.
b. downward because higher prices cause real wealth to decrease and interest rates to increase.
c. upward because higher prices cause people to increase their production.
d. upward because higher prices cause real wealth to increase and interest rates to decrease.

____ 13. Suppose a fall in stock prices makes people feel poorer. The decrease in wealth would induce people to
a. decrease consumption, shown as a movement to the left along a given aggregate demand curve.
b. increase consumption, shown as a movement to the right along a given aggregate demand curve.
c. decrease consumption, shifting the aggregate demand curve to the left.
d. increase consumption, shifting the aggregate demand curve to the right.

____ 14. Aggregate demand would shift right if either
a. the price level decreased, or government expenditures increased.
b. the price level decreased, or the government instituted an investment tax credit.
c. government expenditures or the money supply increased.
d. All of the above are correct.

____ 15. The aggregate supply curve is upward sloping rather than vertical in
a. the short and long run.
b. neither the short nor long run.
c. the long run, but not the short run.
d. the short run, but not the long run.

____ 16. The sticky price theory of the short-run aggregate supply curve says that when the price level rises more than expected, some firms will have
a. higher than desired prices which increases their sales.
b. higher than desired prices which depresses their sales.
c. lower than desired prices which increases their sales.
d. lower than desired prices which depresses their sales.

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Answer Section

MULTIPLE CHOICE

1.	ANS:	C	DIF:	2	REF:	SECTION: 21.1
	OBJ:	TYPE: M				
2.	ANS:	D	DIF:	2	REF:	SECTION: 21.1
	OBJ:	TYPE: M				
3.	ANS:	C	DIF:	2	REF:	SECTION: 21.1
	OBJ:	TYPE: M				
4.	ANS:	C	DIF:	1	REF:	SECTION: 21.2
	OBJ:	TYPE: M				
5.	ANS:	D	DIF:	1	REF:	SECTION: 21.2
	OBJ:	TYPE: M				
6.	ANS:	B	DIF:	2	REF:	SECTION: 21.2
	OBJ:	TYPE: M				
7.	ANS:	D	DIF:	2	REF:	SECTION: 21.2
	OBJ:	TYPE: M				
8.	ANS:	A	DIF:	1	REF:	SECTION: 20.1
	OBJ:	TYPE: M				
9.	ANS:	A	DIF:	2	REF:	SECTION: 20.2
	OBJ:	TYPE: M				
10.	ANS:	C	DIF:	1	REF:	SECTION: 20.3
	OBJ:	TYPE: M				
11.	ANS:	A	DIF:	1	REF:	SECTION: 20.3
	OBJ:	TYPE: M				
12.	ANS:	B	DIF:	2	REF:	SECTION: 20.3
	OBJ:	TYPE: M				
13.	ANS:	C	DIF:	2	REF:	SECTION: 20.3
	OBJ:	TYPE: M				
14.	ANS:	C	DIF:	2	REF:	SECTION: 20.3
	OBJ:	TYPE: M				
15.	ANS:	D	DIF:	1	REF:	SECTION: 20.4
	OBJ:	TYPE: M				
16.	ANS:	C	DIF:	2	REF:	SECTION: 20.4
	OBJ:	TYPE: M				