

<p>1. Positive economics</p> <p>A. is the pure science branch of economics</p> <p>B. is an objective analysis of empirical evidence (Correct)</p> <p>C. involves ethical precepts and norms of fairness</p> <p>D. all of the above</p>	<p>2. National Income (National Product) includes</p> <p>A. direct taxes (Correct)</p> <p>B. indirect taxes</p> <p>C. depreciation</p> <p>D. all of the above</p>	<p>3. Increase in foreign demand will shift:</p> <p>A. Aggregate Demand down</p> <p>B. Aggregate Demand up (Correct)</p> <p>C. Aggregate Supply down</p> <p>D. Aggregate Supply up</p>	<p>4. A business cycle expansion is best described as:</p> <p>A. an increase in real GDP</p> <p>B. an increase in saving and investment</p> <p>C. an increase in aggregate economic variables (Correct)</p> <p>D. an increase in output, prices, and interest rates</p>	<p>5. In the $C=C_0+C_1*Y$ consumption function C_0 is</p> <p>A. marginal propensity to save</p> <p>B. marginal propensity to consume</p> <p>C. zero-income level of saving</p> <p>D. zero-income level of consumption (Correct)</p>
<p>6. Hummer produced in Russia belongs to US GDP</p> <p>A. True</p> <p>B. False (Correct)</p>	<p>7. Government budget deficit is financed by increase in investment</p> <p>A. True</p> <p>B. False (Correct)</p>	<p>8. Sales (Aggregate Supply) and prices are directly related</p> <p>A. True (Correct)</p> <p>B. False</p>	<p>9. Multiplier-accelerator model is among theories explaining business cycles</p> <p>A. True (Correct)</p> <p>B. False</p>	<p>10. $MPC=1+MPS$</p> <p>A. True</p> <p>B. False (Correct)</p>
<p>11. Real GDP is</p> <p>A. full-employment level of output</p> <p>B. market value of goods and services in constant market prices (Correct)</p> <p>C. market value of goods and services in current market prices</p> <p>D. none of the above</p>	<p>12. GDP deflator reflects</p> <p>A. cost of buying a standard basket of goods</p> <p>B. level of prices at the wholesale stage</p> <p>C. price of all goods and services produced in the country (Correct)</p> <p>D. price of intermediate goods and services</p>	<p>13. Increase in productivity leads to:</p> <p>A. price up, output down</p> <p>B. price down, output down</p> <p>C. price up, output up</p> <p>D. price down, output up (Correct)</p>	<p>14. Unemployment is a counter-cyclical, lagging variable. Relatively to the whole business cycle unemployment peaks and troughs will move:</p> <p>A. same direction, ahead in time</p> <p>B. opposite direction, ahead in time</p> <p>C. same direction, later in time</p> <p>D. opposite direction, later in time (Correct)</p>	<p>15. Which of the following is a determinant of savings?</p> <p>A. wealth</p> <p>B. real interest rates</p> <p>C. taxes on capital income</p> <p>D. all of the above (Correct)</p>
<p>16. GDP deflator of 3.5 refers to:</p> <p>A. low inflation</p> <p>B. high inflation</p> <p>C. hyperinflation (Correct)</p> <p>D. deflation</p>	<p>17. Government expenditure is a withdrawal from the circular flow of national income</p> <p>A. True</p> <p>B. False (Correct)</p>	<p>18. Increase in price causes shifts of the Aggregate Demand curve</p> <p>A. True</p> <p>B. False (Correct)</p>	<p>19. The real-business cycle theory attributes business fluctuations to the expansion and contraction of money and credit</p> <p>A. True</p> <p>B. False (Correct)</p>	<p>20. Household consumption is a function of investment</p> <p>A. True</p> <p>B. False (Correct)</p>
<p>21. Fiscal policy denotes the use of government spending and taxation</p> <p>A. True (Correct)</p> <p>B. False</p>	<p>22. Equilibrium output can be determined by Savings and Investment</p> <p>A. True (Correct)</p> <p>B. False</p>	<p>23. Increase in price level will decrease money demand</p> <p>A. True</p> <p>B. False (Correct)</p>	<p>24. Money functions as a unit of account</p> <p>A. True (Correct)</p> <p>B. False</p>	<p>25. The dollar (money) value today of a stream of income over time is called narrow money</p> <p>A. True</p> <p>B. False (Correct)</p>
<p>26. In the multiplier model, government purchases</p> <p>A. reduce national output</p> <p>B. increase national output (Correct)</p> <p>C. either increase, or decrease national output</p> <p>D. do not affect national output</p>	<p>27. According to multiplier model: if $MPC=.8$, each dollar increase in investment will increase GDP to</p> <p>A. \$1</p> <p>B. \$4</p> <p>C. \$5 (Correct)</p> <p>D. \$8</p>	<p>28. According to multiplier model: change in government expenditure changes output _____ times</p> <p>A. $1/MPC$</p> <p>B. $1/MPS$ (Correct)</p> <p>C. $1-MPC$</p> <p>D. $1-MPS$</p>	<p>29. Nominal interest rate equals:</p> <p>A. real interest rate times inflation</p> <p>B. real interest rate divided by inflation</p> <p>C. real interest rate minus inflation</p> <p>D. real interest rate plus inflation (Correct)</p>	<p>30. The most liquid asset is:</p> <p>A. cash (Correct)</p> <p>B. bonds</p> <p>C. securities</p> <p>D. savings accounts</p>
<p>31. The fraction of the working-age population</p>	<p>32. The Phillips Curve describes relationship</p>	<p>33. Which of the following is a factor productivity:</p>	<p>34. Protectionism in Europe will most likely cause</p>	<p>35. Revenue from a quota goes to</p>

<p>in the labor force is</p> <p>A. unemployment rate B. employment rate C. employment ratio D. participation ratio (Correct)</p>	<p>between</p> <p>A. inflation and unemployment (Correct) B. unemployment and income C. income and inflation D. none of the above</p>	<p>A. capital per output B. output per capital (Correct) C. capital per labor D. labor per capital</p>	<p>A. \$ appreciate B. € depreciate C. € appreciate (Correct) D. none of the above</p>	<p>A. domestic government B. domestic producers C. foreign producers D. exporters and importers (Correct)</p>
<p>36. According to Okun's law, two percent increase in unemployment rate will result in five percent fall of actual GDP</p> <p>A. True (Correct) B. False</p>	<p>37. Incomes anti-inflationary policies include wage-price controls</p> <p>A. True (Correct) B. False</p>	<p>38. Capital is a major factor of economic growth</p> <p>A. True (Correct) B. False</p>	<p>39. Countries with high inflation rates will tend to have depreciating currencies</p> <p>A. True (Correct) B. False</p>	<p>40. A country will not benefit from trade if it is absolutely more efficient than other countries in the production of every good</p> <p>A. True B. False (Correct)</p>
<p>41. The long-run aggregate supply is upward-sloping</p> <p>A. True B. False (Correct)</p>	<p>42. Unanticipated inflation hurts creditors</p> <p>A. True (Correct) B. False</p>	<p>43. Over the last century capital growth in the advanced nations has been higher than their output growth</p> <p>A. True B. False (Correct)</p>	<p>44. Repatriations of investment income are registered in the Capital Account of the Balance of Payments</p> <p>A. True B. False (Correct)</p>	<p>45. Reduction of unemployment may be a valid argument for protection</p> <p>A. True (Correct) B. False</p>
<p>46. Search of workers for suitable jobs and search of firms for suitable workers, results in</p> <p>A. involuntary unemployment B. frictional unemployment (Correct) C. structural unemployment D. cyclical unemployment</p>	<p>47. The short-run Phillips curve</p> <p>A. downward-sloping (Correct) B. upward-sloping C. horizontal D. vertical</p>	<p>48. In the neoclassical growth model, capital deepening refers to</p> <p>A. increase of labor-per-capital ratio B. decrease of labor-per-capital ratio C. increase of capital-per-labor ratio D. increase of capital-per-labor ratio (Correct)</p>	<p>49. British Pound appreciates against U.S. Dollar. This will result in:</p> <p>A. U.S. trade balance improvement (Correct) B. U.K. trade balance improvement C. both U.S., and U.K. balance improvement D. neither U.S., nor U.K. trade balance improvement</p>	<p>50. Which of the following is an effect of the imposition of a tariff?</p> <p>A. prices increase (Correct) B. consumption increase C. exporters and importers collect revenues D. all of the above</p>

<p>1. Normative economics</p> <p>A. is an objective analysis of empirical evidence</p> <p>B. is the pure science branch of economics</p> <p>C. involves ethical precepts and norms of fairness (Correct)</p> <p>D. all of the above</p>	<p>2. National Income (National Product) excludes</p> <p>A. direct taxes</p> <p>B. depreciation (Correct)</p> <p>C. net corporate savings</p> <p>D. transfer payments</p>	<p>3. Increase in foreign supply will shift:</p> <p>A. Aggregate Demand down</p> <p>B. Aggregate Demand up</p> <p>C. Aggregate Supply down (Correct)</p> <p>D. Aggregate Supply up</p>	<p>4. A business cycle recession is best described as:</p> <p>A. a decline in aggregate economic variables (Correct)</p> <p>B. a decline in real GDP</p> <p>C. a decline in saving and investment</p> <p>D. a decline in output, prices, and interest rates</p>	<p>5. In the $C=C_0+C_1*Y$ consumption function C_1 is</p> <p>A. zero-income level of consumption</p> <p>B. zero-income level of saving</p> <p>C. marginal propensity to consume (Correct)</p> <p>D. marginal propensity to save</p>
<p>6. Ford produced in Germany belongs to US GNP</p> <p>A. True (Correct)</p> <p>B. False</p>	<p>7. Government budget deficit is financed by increase in consumption</p> <p>A. True</p> <p>B. False (Correct)</p>	<p>8. Spending (Aggregate Demand) and prices are inversely related</p> <p>A. True (Correct)</p> <p>B. False</p>	<p>9. Real-business cycle is among theories explaining business cycles</p> <p>A. True (Correct)</p> <p>B. False</p>	<p>10. $MPS=1+MPC$</p> <p>A. True</p> <p>B. False (Correct)</p>
<p>11. Nominal GDP is</p> <p>A. full-employment level of output</p> <p>B. market value of goods and services in constant market prices</p> <p>C. market value of goods and services in current market prices (Correct)</p> <p>D. none of the above</p>	<p>12. CPI reflects</p> <p>A. level of prices at the wholesale stage</p> <p>B. cost of buying a standard basket of goods (Correct)</p> <p>C. price of all goods and services produced in the country</p> <p>D. price of intermediate goods and services</p>	<p>13. Increase in wealth of nation leads to:</p> <p>A. price up, output down</p> <p>B. price down, output down</p> <p>C. price up, output up (Correct)</p> <p>D. price down, output up</p>	<p>14. Stock market is a pro-cyclical, leading variable. Relatively to the whole business cycle Stock market peaks and troughs will move:</p> <p>A. same direction, ahead in time (Correct)</p> <p>B. opposite direction, ahead in time</p> <p>C. same direction, later in time</p> <p>D. opposite direction, later in time</p>	<p>15. Which of the following is a determinant of consumption?</p> <p>A. current disposable income</p> <p>B. expected future income</p> <p>C. wealth</p> <p>D. all of the above (Correct)</p>
<p>16. GDP deflator of 0.95 refers to:</p> <p>A. low inflation</p> <p>B. high inflation</p> <p>C. hyperinflation</p> <p>D. deflation (Correct)</p>	<p>17. Export expenditure is a withdrawal from the circular flow of national income</p> <p>A. True</p> <p>B. False (Correct)</p>	<p>18. Increase in price causes shifts of the Aggregate Supply curve</p> <p>A. True</p> <p>B. False (Correct)</p>	<p>19. According to monetary theories productivity shocks in one sector can spread to the rest of the economy and cause recessions and booms</p> <p>A. True</p> <p>B. False (Correct)</p>	<p>20. Household consumption is a function of savings</p> <p>A. True</p> <p>B. False (Correct)</p>
<p>21. Monetary policy denotes the use of government spending and taxation</p> <p>A. True</p> <p>B. False (Correct)</p>	<p>22. Equilibrium output can be determined by Consumption and Investment</p> <p>A. True (Correct)</p> <p>B. False</p>	<p>23. Increase in income will decrease money demand</p> <p>A. True</p> <p>B. False (Correct)</p>	<p>24. Money functions as a medium of exchange</p> <p>A. True (Correct)</p> <p>B. False</p>	<p>25. The dollar (money) value today of a stream of income over time is called broad money</p> <p>A. True</p> <p>B. False (Correct)</p>
<p>26. In the multiplier model, taxes</p> <p>A. reduce national output (Correct)</p> <p>B. increase national output</p> <p>C. either increase, or decrease national output</p> <p>D. do not affect national output</p>	<p>27. According to multiplier model: if $MPC=.75$, each dollar increase in investment will increase GDP to</p> <p>A. \$1</p> <p>B. \$4 (Correct)</p> <p>C. \$5</p> <p>D. \$8</p>	<p>28. According to multiplier model: change in government expenditure changes output _____ times</p> <p>A. $1-MPC$</p> <p>B. $1-MPS$</p> <p>C. $1/MPC$</p> <p>D. $1/MPS$ (Correct)</p>	<p>29. Real interest rate equals:</p> <p>A. nominal interest rate times inflation</p> <p>B. nominal interest rate divided by inflation</p> <p>C. nominal interest rate minus inflation (Correct)</p> <p>D. nominal interest rate plus inflation</p>	<p>30. The most liquid asset is:</p> <p>A. land</p> <p>B. gold</p> <p>C. cash (Correct)</p> <p>D. diamonds</p>
31. The employed fraction of	32. The Phillips Curve	33. Which of the following	34. Recession in Europe will most	35. Revenue from a tariff goes

<p>the working-age population is</p> <p>A. unemployment rate B. employment rate C. employment ratio (Correct) D. participation ratio</p>	<p>describes relationship between</p> <p>A. income and inflation B. income and unemployment C. inflation and unemployment (Correct) D. none of the above</p>	<p>is a factor productivity:</p> <p>A. capital per labor B. labor per capital C. labor per output D. output per labor (Correct)</p>	<p>likely cause</p> <p>A. € depreciate B. € appreciate (Correct) C. \$ appreciate D. none of the above</p>	<p>to</p> <p>A. domestic government (Correct) B. domestic producers C. foreign producers D. exporters and importers</p>
<p>36. According to Okun's law, four percent increase in unemployment rate will result in ten percent fall of actual GDP</p> <p>A. True (Correct) B. False</p>	<p>37. Incomes anti-inflationary policies include profit-sharing policies</p> <p>A. True (Correct) B. False</p>	<p>38. Technological change is a major factor of economic growth</p> <p>A. True (Correct) B. False</p>	<p>39. Countries with high inflation rates will tend to have appreciating currencies</p> <p>A. True B. False (Correct)</p>	<p>40. A country can benefit from trade even if it is absolutely more efficient than other countries in the production of every good</p> <p>A. True (Correct) B. False</p>
<p>41. The long-run aggregate supply is downward-sloping</p> <p>A. True B. False (Correct)</p>	<p>42. Unanticipated inflation favors debtors</p> <p>A. True (Correct) B. False</p>	<p>43. Over the last century labor growth in the advanced nations has been higher than their output growth</p> <p>A. True B. False (Correct)</p>	<p>44. Transfers of expatriate's income are registered in the Capital Account of the Balance of Payments</p> <p>A. True B. False (Correct)</p>	<p>45. Tariffs for "infant" industries may be a valid argument for protection</p> <p>A. True (Correct) B. False</p>
<p>46. A mismatch between jobs available and workers looking for jobs, results in</p> <p>A. involuntary unemployment B. frictional unemployment C. structural unemployment (Correct) D. cyclical unemployment</p>	<p>47. The long-run Phillips curve</p> <p>A. downward-sloping B. upward-sloping C. horizontal D. vertical (Correct)</p>	<p>48. In the neoclassical growth model, capital deepening refers to increase of</p> <p>A. output-per-labor ratio B. output-per-labor ratio C. capital-per-labor ratio (Correct) D. capital-per-output ratio</p>	<p>49. U.S. Dollar depreciates against Yen. This will result in:</p> <p>A. U.S. trade balance improvement (Correct) B. Japan's trade balance improvement C. both U.S., and Japan's trade balance improvement D. neither U.S., nor Japan's trade balance improvement</p>	<p>50. Which of the following is an effect of the imposition of a quota?</p> <p>A. prices increase (Correct) B. consumption increase C. domestic government collects revenues D. all of the above</p>

<p>1. Positive economics</p> <p>A. involves ethical precepts and norms of fairness</p> <p>B. is an objective analysis of empirical evidence (Correct)</p> <p>C. is the pure science branch of economics</p> <p>D. all of the above</p>	<p>2. National Income (National Product) excludes</p> <p>A. direct taxes</p> <p>B. indirect taxes (Correct)</p> <p>C. net corporate savings</p> <p>D. transfer payments</p>	<p>3. Decrease in foreign supply will shift:</p> <p>A. Aggregate Demand down</p> <p>B. Aggregate Demand up</p> <p>C. Aggregate Supply down</p> <p>D. Aggregate Supply up (Correct)</p>	<p>4. A business cycle contraction is best described as:</p> <p>A. a decline in real GDP</p> <p>B. a decline in saving and investment</p> <p>C. a decline in output, prices, and interest rates</p> <p>D. a decline in aggregate economic variables (Correct)</p>	<p>5. In the $C=C_0+C_1*Y$ consumption function C_0 is</p> <p>A. marginal propensity to save</p> <p>B. marginal propensity to consume</p> <p>C. zero-income level of saving</p> <p>D. zero-income level of consumption (Correct)</p>
<p>6. Ford produced in Germany belongs to US GDP</p> <p>A. True</p> <p>C. False (Correct)</p>	<p>7. Government budget deficit is financed by increase in saving</p> <p>A. True (Correct)</p> <p>B. False</p>	<p>8. Sales (Aggregate Supply) and prices are inversely related</p> <p>A. True</p> <p>B. False (Correct)</p>	<p>9. Equilibrium business cycle is among theories explaining business cycles</p> <p>A. True (Correct)</p> <p>B. False</p>	<p>10. $MPS=1-MPC$</p> <p>A. True (Correct)</p> <p>B. False</p>
<p>11. Potential GDP is</p> <p>A. market value of goods and services in current market prices</p> <p>B. market value of goods and services in constant market prices</p> <p>C. full-employment level of output (Correct)</p> <p>D. none of the above</p>	<p>12. PPI reflects</p> <p>A. price of all goods and services produced in the country</p> <p>B. price of intermediate producer's goods (Correct)</p> <p>C. cost of buying a standard basket of goods</p> <p>D. level of prices at the wholesale stage</p>	<p>13. Increase in costs of production leads to:</p> <p>A. price up, output down (Correct)</p> <p>B. price down, output down</p> <p>C. price up, output up</p> <p>D. price down, output up</p>	<p>14. Inflation is a pro-cyclical, lagging variable. Relatively to the whole business cycle inflation peaks and troughs will move:</p> <p>A. same direction, ahead in time</p> <p>B. opposite direction, ahead in time</p> <p>C. same direction, later in time (Correct)</p> <p>D. opposite direction, later in time</p>	<p>15. Which of the following is not a determinant of consumption?</p> <p>A. wealth</p> <p>B. current disposable income</p> <p>C. expected future income</p> <p>D. real interest rate (Correct)</p>
<p>16. GDP deflator of 1.03 refers to:</p> <p>A. deflation</p> <p>B. hyperinflation</p> <p>C. high inflation</p> <p>D. low inflation (Correct)</p>	<p>17. Investment is considered as a withdrawal from the circular flow of national income</p> <p>A. True</p> <p>B. False (Correct)</p>	<p>18. Increase in price causes movement along the Aggregate Demand curve</p> <p>A. True (Correct)</p> <p>B. False</p>	<p>19. The multiplier-accelerator model claims that misperceptions about price and wage movements lead individuals to supply too much or too little labor</p> <p>A. True</p> <p>B. False (Correct)</p>	<p>20. Household consumption is a function of disposable income</p> <p>A. True (Correct)</p> <p>B. False</p>
<p>21. Monetary policy denotes the use of money, credit and banking systems</p> <p>A. True (Correct)</p> <p>B. False</p>	<p>22. Equilibrium output can be determined by Consumption and Investment</p> <p>A. True (Correct)</p> <p>B. False</p>	<p>23. Increase in efficiency of payments will decrease money demand</p> <p>A. True</p> <p>B. False (Correct)</p>	<p>24. Money functions as a store of value</p> <p>A. True (Correct)</p> <p>B. False</p>	<p>25. The dollar (money) value today of a stream of income over time is called reserve requirement</p> <p>A. True</p> <p>B. False (Correct)</p>
<p>26. In the multiplier model, investment</p> <p>A. reduce national output</p> <p>B. increase national output (Correct)</p> <p>C. either increase, or decrease national output</p> <p>D. do not affect national output</p>	<p>27. According to multiplier model: if $MPC=.8$, each dollar increase in investment will increase GDP to</p> <p>A. \$1</p> <p>B. \$4</p> <p>C. \$5 (Correct)</p> <p>D. \$8</p>	<p>28. According to multiplier model: change in government expenditure changes output _____ times</p> <p>A. 1/MPC</p> <p>B. 1/MPS (Correct)</p> <p>C. 1-MPC</p> <p>D. 1-MPS</p>	<p>29. Nominal interest rate differs from real interest rate to the amount of:</p> <p>A. employment rate</p> <p>B. participation rate</p> <p>C. inflation rate (Correct)</p> <p>D. none of the above</p>	<p>30. The most liquid asset is:</p> <p>A. land</p> <p>B. gold</p> <p>C. cash (Correct)</p> <p>D. diamonds</p>

<p>31. Number of unemployed divided by the total labor force is</p> <p>A. unemployment rate (Correct) B. unemployment ratio C. participation ratio D. non-participation ratio</p>	<p>32. The Phillips Curve describes relationship between</p> <p>A. income and inflation B. income and unemployment C. inflation and unemployment (Correct) D. none of the above</p>	<p>33. Which of the following is a factor productivity:</p> <p>A. capital per output B. labor per output C. labor per capital D. none of the above (Correct)</p>	<p>34. Recession in the US will most likely cause</p> <p>A. € appreciate B. \$ depreciate C. \$ appreciate (Correct) D. none of the above</p>	<p>35. Revenue from a tariff goes to _____ while revenue from a quota goes to _____</p> <p>A. foreign producers; the domestic government B. the domestic government; exporters and importers (Correct) C. foreign producers; exporters and importers D. the domestic government; the foreign government</p>
<p>36. According to Okun's law, two percent decrease in unemployment rate will result in five percent increase of actual GDP</p> <p>A. True (Correct) B. False</p>	<p>37. Incomes anti-inflationary policies include market strategies to restrain wage and price increases</p> <p>A. True (Correct) B. False</p>	<p>38. Economic growth happens with capital deepening</p> <p>A. True (Correct) B. False</p>	<p>39. Countries with low inflation rates will tend to have appreciating currencies</p> <p>A. True (Correct) B. False</p>	<p>40. A country will not benefit from trade if it is absolutely more efficient than other countries in the production of every good</p> <p>A. True B. False (Correct)</p>
<p>41. The long-run aggregate supply is upward-sloping</p> <p>A. True B. False (Correct)</p>	<p>42. Unanticipated inflation hurts fixed-income classes</p> <p>A. True (Correct) B. False</p>	<p>43. Over the last century input growth in the advanced nations has been higher than their output growth</p> <p>A. True B. False (Correct)</p>	<p>44. Official-reserve changes are registered in the Current Account of the Balance of Payments</p> <p>A. True B. False (Correct)</p>	<p>45. Optimal-tariff (terms-of-trade) argument may be a valid argument for protection</p> <p>A. True (Correct) B. False</p>
<p>46. Business cycle recession results in a</p> <p>A. involuntary unemployment B. frictional unemployment C. structural unemployment D. cyclical unemployment (Correct)</p>	<p>47. The long-run Phillips curve</p> <p>A. downward-sloping B. upward-sloping C. horizontal D. vertical (Correct)</p>	<p>48. In the neoclassical growth model, capital deepening refers to decrease of</p> <p>A. output-per-labor ratio B. output-per-labor ratio C. capital-per-labor ratio D. none of the above (Correct)</p>	<p>49. Euro appreciates against Japanese Yen. This will result in:</p> <p>A. Japanese trade balance improvement (Correct) B. European trade balance improvement C. both Japanese, and European trade balance improvement D. neither U.S., nor European trade balance improvement</p>	<p>50. Which of the following is an effect of the imposition of a tariff?</p> <p>A. prices increase B. consumption decrease C. domestic government collects revenues D. all of the above (Correct)</p>