

Advanced Macroeconomic Concepts

Macroeconomics · Answer Key · 10 Questions

1. Which specific component is excluded from the calculation of Australia's Gross Domestic Product (GDP) to prevent double counting?

- A) Intermediate goods**
- B) Government expenditure on infrastructure
- C) Net exports
- D) Consumption of services

2. In the context of the Phillips Curve, what does a movement along the short-run curve represent?

- A) An inverse relationship between inflation and unemployment**
- B) A direct relationship between money supply and interest rates
- C) A shift in the natural rate of unemployment
- D) A decrease in total factor productivity

3. Which of the following best describes the 'crowding out' effect in macroeconomics?

- A) Increased government borrowing leads to higher interest rates, reducing private investment**
- B) Foreign competition reducing domestic market share
- C) Excessive regulation stifling entrepreneurial innovation
- D) High inflation reducing the real value of savings

4. Under a floating exchange rate regime, what is the primary mechanism that automatically corrects a persistent current account deficit?

- A) Depreciation of the domestic currency**
- B) Increased direct foreign investment
- C) Reduction in government debt
- D) Expansionary monetary policy

5. Which indicator specifically measures the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services?

- A) Consumer Price Index (CPI)**
- B) Producer Price Index (PPI)
- C) GDP Deflator
- D) Implicit Price Deflator

6. According to the Quantity Theory of Money ($MV=PY$), if the velocity of money (V) and real output (Y) remain constant, what is the direct effect of an increase in money supply (M)?

A) A proportional increase in the price level (P)

- B) A decrease in interest rates
- C) A rise in the unemployment rate
- D) A shift in the production possibility frontier

7. What is the technical definition of a 'cyclical deficit' in a government budget?

A) The portion of the deficit caused by the economy operating below its potential output

- B) The deficit resulting from long-term structural tax reforms
- C) The deficit caused by interest payments on national debt
- D) The deficit occurring during a period of peak economic growth

8. Which policy tool is considered an 'automatic stabilizer' in a developed economy?

A) Progressive income taxation

- B) Discretionary infrastructure spending
- C) Central bank interest rate adjustments
- D) Changes in international trade tariffs

9. What does a Gini coefficient of 0.0 represent in the context of income distribution?

A) Perfect income equality

- B) Perfect income inequality
- C) High levels of structural unemployment
- D) Low inflation and stable GDP growth

10. In macroeconomics, what is the 'marginal propensity to consume' (MPC) defined as?

A) The change in consumption resulting from a one-unit change in disposable income

- B) The ratio of total savings to total income
- C) The percentage of GDP spent by the government
- D) The sensitivity of investment to interest rate changes