Advanced Macroeconomic Concepts

Macroeconomics · Practice Test · 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