

Macroeconomics Foundations

Macroeconomics · Answer Key · 10 Questions

1. Which economic indicator is calculated as the total market value of all final goods and services produced within a country's borders during a specific period?

- A) Gross National Product
- B) Gross Domestic Product**
- C) Net National Product
- D) Disposable Personal Income

2. In a floating exchange rate system, what is the primary factor that determines the value of a currency?

- A) Government intervention
- B) Gold reserves
- C) Market supply and demand**
- D) International trade treaties

3. Which of the following is considered a primary tool used by central banks to influence the money supply and interest rates?

- A) Open market operations**
- B) Income tax rates
- C) Corporate subsidy programs
- D) Direct price controls

4. What is the term for a sustained increase in the general price level of goods and services in an economy over a period of time?

- A) Deflation
- B) Stagflation
- C) Hyper-appreciation
- D) Inflation**

5. Which type of unemployment occurs when there is a mismatch between the skills workers possess and the skills employers require?

- A) Cyclical unemployment
- B) Structural unemployment**
- C) Frictional unemployment
- D) Seasonal unemployment

6. What is the relationship described by the Phillips Curve in macroeconomics?

- A) Interest rates and inflation
- B) Inflation and unemployment**
- C) GDP growth and trade deficits
- D) National debt and tax revenue

7. Which of the following would be categorized as a 'leakage' in the circular flow of income model?

- A) Investment
- B) Government spending
- C) Exports
- D) Imports**

8. What is the primary objective of a contractionary monetary policy?

- A) To stimulate economic growth
- B) To reduce high levels of inflation**
- C) To increase consumer spending
- D) To lower national unemployment

9. Which theory suggests that long-term economic growth is primarily driven by technological progress and capital accumulation rather than just labor?

- A) Keynesian Multiplier Theory
- B) Solow-Swan Growth Model**
- C) Ricardian Equivalence
- D) Law of Diminishing Returns

10. What does the Gini coefficient measure in an economy?

- A) Income inequality**
- B) Economic growth rates
- C) Public debt levels
- D) Balance of payments