

Macroeconomic Fundamentals

Macroeconomics · Answer Key · 10 Questions

1. Which economic indicator is defined as the total market value of all final goods and services produced within a country in a given period?

- A) Gross National Product
- B) Gross Domestic Product**
- C) Net National Product
- D) Consumer Price Index

2. The Phillips Curve describes the inverse relationship between which two macroeconomic variables?

- A) Inflation and Unemployment**
- B) Interest Rates and GDP
- C) Exports and Imports
- D) Tax Rates and Government Spending

3. Which institution is primarily responsible for conducting monetary policy in the United States?

- A) The Department of the Treasury
- B) The Securities and Exchange Commission
- C) The Federal Reserve**
- D) The World Bank

4. What term describes a period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP in two successive quarters?

- A) Stagflation
- B) Depression
- C) Expansion
- D) Recession**

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

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

6. What is the primary tool used by the Bureau of Labor Statistics to measure the average change over time in the prices paid by urban consumers for a market basket of consumer goods?

- A) Producer Price Index
- B) GDP Deflator
- C) Consumer Price Index**
- D) Wholesale Price Index

7. What does the 'liquidity trap' refer to in Keynesian economics?

- A) A situation where monetary policy becomes ineffective because nominal interest rates are near zero**
- B) A rapid increase in the money supply
- C) A condition of hyperinflation
- D) The inability of the government to raise taxes

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

- A) Deflation
- B) Stagnation
- C) Inflation**
- D) Appreciation

9. Which component of GDP represents the total spending by households on new goods and services?

- A) Investment
- B) Government Spending
- C) Net Exports
- D) Consumption**

10. In the context of international trade, what is the 'Balance of Payments'?

- A) The total value of a nation's gold reserves
- B) A record of all economic transactions between residents of a country and the rest of the world**
- C) The difference between tax revenue and government spending
- D) The total amount of foreign currency held by a central bank