

Macroeconomics Fundamentals

Macroeconomics · Answer Key · 18 Questions

1. What is the primary measure of a country's total economic output?

- A) Inflation Rate
- B) Unemployment Rate
- C) Gross Domestic Product (GDP)**
- D) Consumer Price Index (CPI)

2. Which of the following best describes inflation?

- A) A sustained decrease in the general price level of goods and services.
- B) A sustained increase in the general price level of goods and services.**
- C) A decrease in the unemployment rate.
- D) An increase in the total value of exports.

3. What does the unemployment rate measure?

- A) The percentage of the labor force that is employed.
- B) The percentage of the labor force that is actively seeking employment but unable to find work.**
- C) The total number of people in the workforce.
- D) The percentage of the population that is not participating in the labor force.

4. Fiscal policy is primarily managed by which branch of government?

- A) The Central Bank
- B) The Judiciary
- C) The Legislative Branch (e.g., Parliament or Congress)**
- D) The Military

5. Monetary policy is typically controlled by which institution?

- A) The Department of Education
- B) The Ministry of Health
- C) The Central Bank**
- D) The Environmental Protection Agency

6. What does the Consumer Price Index (CPI) typically measure?

- A) The average price of raw materials used in production.
- B) The average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.**
- C) The wholesale price of goods sold by manufacturers.
- D) The exchange rate between two major currencies.

7. A recession is generally defined as a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales. What is a common characteristic of a recession?

- A) Rising employment and increasing consumer spending.
- B) Falling unemployment and increasing business investment.
- C) A decline in real GDP and rising unemployment.**
- D) Increased productivity and stable inflation.

8. What is the main goal of a central bank's monetary policy?

- A) To directly set wages for all workers.
- B) To manage the money supply and interest rates to influence inflation and economic growth.**
- C) To provide direct financial aid to struggling businesses.
- D) To impose tariffs on imported goods.

9. Which of the following is considered a factor of production in economics?

- A) Advertising
- B) Consumer preferences
- C) Capital (e.g., machinery, buildings)**
- D) Government regulations

10. What does Gross National Product (GNP) measure?

- A) The total value of goods and services produced by a country's citizens, regardless of location.**
- B) The total value of goods and services produced within a country's borders.
- C) The total value of imports in an economy.
- D) The average income of a country's citizens.

11. What is the term for the total amount of money in circulation within an economy?

- A) National Debt
- B) Balance of Trade
- C) Money Supply**
- D) Foreign Exchange Reserves

12. What is a budget deficit?

- A) When government spending is less than government revenue.
- B) When government spending is equal to government revenue.
- C) When government spending exceeds government revenue.**
- D) When exports exceed imports.

13. Which economic indicator tracks the value of goods and services a country buys from other countries minus the value of goods and services it sells to other countries?

- A) Gross Domestic Product (GDP)
- B) Balance of Payments
- C) Terms of Trade
- D) Trade Balance (or Balance of Trade)**

14. What is the primary function of a central bank?

- A) To regulate private businesses.
- B) To issue currency and manage the nation's monetary policy.**
- C) To collect taxes from citizens.
- D) To directly provide loans to individuals.

15. What does aggregate demand represent in macroeconomics?

- A) The total supply of goods and services at a given price level.
- B) The total demand for all goods and services in an economy at a given price level.**
- C) The demand for a single product in the economy.
- D) The demand for government services.

16. What does aggregate supply represent in macroeconomics?

- A) The total demand for goods and services at a given price level.
- B) The total quantity of goods and services that firms are willing and able to produce at a given price level.**
- C) The demand for labor in the economy.
- D) The supply of imported goods.

17. What is the term for the price of borrowing money or the return on lending money?

- A) Inflation
- B) Exchange Rate
- C) Interest Rate**
- D) Wage Rate

18. What are the primary tools of fiscal policy?

- A) Interest rates and money supply
- B) Government spending and taxation**
- C) Exchange rates and trade tariffs
- D) Minimum wage laws and labor regulations