Macroeconomics Fundamentals

Macroeconomics · Practice Test · 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