

Fundamentals of Macroeconomics

Macroeconomics · Answer Key · 15 Questions

1. What does GDP stand for in macroeconomic terms?

- A) General Domestic Product
- B) Gross Domestic Product**
- C) Global Development Percentage
- D) Gross Daily Profit

2. Which term describes a general increase in prices and a fall in the purchasing power of money?

- A) Deflation
- B) Stagflation
- C) Inflation**
- D) Recession

3. Which institution is primarily responsible for conducting monetary policy in a country?

- A) Central Bank**
- B) Stock Exchange
- C) Department of Education
- D) Ministry of Transport

4. The unemployment rate measures the percentage of people who are:

- A) Retired
- B) Under the age of 16
- C) Actively seeking work but currently jobless**
- D) Working part-time

5. What is the primary indicator used to measure the average change over time in the prices paid by consumers for goods and services?

- A) Consumer Price Index (CPI)**
- B) Gross National Product
- C) Stock Market Index
- D) Interest Rate

6. What is considered a primary tool of fiscal policy?

- A) Setting the interest rate
- B) Buying government bonds
- C) Government spending and taxation**
- D) Controlling the money supply

7. Which term defines the total value of all goods and services produced within a country's borders during a specific period?

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

8. When an economy experiences two consecutive quarters of declining GDP, it is typically defined as a:

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

9. What does the 'L' in the macroeconomic term 'LRAS' stand for?

- A) Long-run**
- B) Labor
- C) Liquidity
- D) Logical

10. Which type of unemployment occurs when workers are in the process of moving from one job to another?

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

11. Who is the father of modern macroeconomics, known for his work during the Great Depression?

- A) Adam Smith
- B) John Maynard Keynes**
- C) Milton Friedman
- D) Karl Marx

12. A budget deficit occurs when:

- A) Government spending exceeds tax revenue**
- B) Tax revenue exceeds government spending
- C) Exports exceed imports
- D) Imports exceed exports

13. What is the term for the total amount of goods and services that all households, businesses, and the government are willing to buy at a given price level?

- A) Aggregate Supply
- B) Aggregate Demand**
- C) Market Equilibrium
- D) Monetary Base

14. Which of the following is considered a 'transfer payment' by the government?

- A) Salary for government employees
- B) Construction of a new bridge
- C) Unemployment benefits**
- D) Purchase of military equipment

15. What happens to the purchasing power of money during a period of deflation?

- A) It increases**
- B) It decreases
- C) It remains the same
- D) It becomes negative