Macroeconomics and the Environment

Macroeconomics · Answer Key · 8 Questions

1. What macroeconomic metric adjusts standard Gross Domestic Product (GDP) to account for natural resource depletion and environmental damage?

- **A) Green GDP**
- B) Nominal GDP
- C) Real GDP
- D) Gross National Product

2. Which macroeconomic sector directly extracts or harvests raw materials from nature, including agriculture, forestry, and fishing?

- A) Tertiary sector
- **B) Primary sector**
- C) Secondary sector
- D) Quaternary sector

3. What economic term describes an unintended side effect of production, such as industrial pollution damaging surrounding ecosystems, borne by third parties?

- A) Positive externality
- **B) Negative externality**
- C) Inflationary gap
- D) Fiscal surplus

4. In environmental macroeconomics, what term refers to the global stock of natural assets, including soil, air, water, and living organisms?

- A) Human Capital
- B) Physical Capital
- **C) Natural Capital**
- D) Financial Capital

5. Which country measures national development using 'Gross National Happiness' (GNH), a framework that explicitly requires environmental preservation?

- A) Nepal
- **B) Bhutan**
- C) Mongolia
- D) Iceland

6. What market-based policy sets a mandatory limit on industrial emissions while allowing companies to buy and sell permit allowances?

A) Cap-and-trade
B) Universal Basic Income
C) The Gold Standard
D) Fixed Exchange Rate

7. What term describes the economic benefits provided to humans by natural ecosystems, such as crop pollination by bees or flood regulation by wetlands?

A) Ecosystem services
B) Trade deficits
C) Consumer surplus
D) Monetary reserves

8. Which 2015 global climate treaty established an international framework for countries to align macroeconomic policy with limiting global temperature rises?

A) Kyoto Protocol
B) Paris Agreement
C) Montreal Protocol
D) Geneva Convention