

Foundations of Macroeconomics

Macroeconomics · Practice Test · 12 Questions

1. Which economic indicator measures the total market value of all final goods and services produced within a country in a specific period?

- A) Consumer Price Index
- B) Gross Domestic Product
- C) Balance of Payments
- D) National Net Worth

2. What is the primary objective of a central bank when setting interest rates to maintain price stability?

- A) Eliminating all unemployment
- B) Maximizing government tax revenue
- C) Controlling inflation
- D) Increasing the national debt

3. Which term describes a sustained increase in the general price level of goods and services in an economy?

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

4. Who is the economist most famously associated with the theory that increased government spending can stimulate economic activity during a recession?

- A) John Maynard Keynes
- B) Adam Smith
- C) Milton Friedman
- D) Friedrich Hayek

5. In macroeconomic terms, what is the 'natural rate of unemployment' composed of?

- A) Cyclical and seasonal unemployment
- B) Structural and frictional unemployment
- C) Underemployment and hidden unemployment
- D) Total workforce and labor force participation

6. Which of the following is considered a component of the M1 money supply?

- A) Savings accounts
- B) Time deposits
- C) Currency in circulation
- D) Government bonds

7. What does the 'Phillips Curve' demonstrate the relationship between?

- A) Inflation and unemployment
- B) GDP growth and interest rates
- C) Trade balance and exchange rates
- D) Tax revenue and public spending

8. Which international institution was established to oversee the global financial system and provide short-term loans to countries with balance of payments problems?

- A) World Trade Organization
- B) International Monetary Fund
- C) World Bank
- D) Bank for International Settlements

9. What is the term for a period of at least two consecutive quarters of decline in a country's Gross Domestic Product?

- A) Economic depression
- B) Hyperinflation
- C) Market correction
- D) Recession

10. Which type of fiscal policy involves increasing government spending or decreasing taxes to expand the economy?

- A) Contractionary
- B) Neutral
- C) Expansionary
- D) Restrictive

11. What is the 'real' interest rate defined as?

- A) The nominal interest rate minus the inflation rate
- B) The bank rate set by the government
- C) The interest rate for foreign investment
- D) The rate charged on credit cards

12. What is the name of the curve that illustrates the relationship between tax rates and tax revenue collected by governments?

- A) Lorenz curve
- B) Laffer curve
- C) IS-LM curve
- D) Kuznets curve