

Quiz # 9
Dr. Nath

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 1. During a recession the economy experiences
 - a. rising employment and income.
 - b. rising employment and falling income.
 - c. rising income and falling employment.
 - d. falling employment and income.

- _____ 2. Which of the following statements is correct?
 - a. Most economists use the model of aggregate demand and aggregate supply to analyze short-run economic fluctuations.
 - b. Economic fluctuations are essentially unrelated to changes in business conditions.
 - c. Economic fluctuations follow a regular, predictable pattern.
 - d. All of the above are correct.

- _____ 3. Which of the following is correct?
 - a. Over the business cycle consumption fluctuates more than investment.
 - b. Economic fluctuations are easy to predict.
 - c. During recessions sales and profits tend to fall.
 - d. Because of government policy the U.S. has suffered no recessions in the last 25 years.

- _____ 4. During recessions
 - a. sales and profits fall.
 - b. sales and profits rise.
 - c. sales rise, profits fall.
 - d. profits fall, sales rise.

- _____ 5. Real GDP
 - a. moves in the same direction as unemployment.
 - b. is not adjusted for inflation.
 - c. measures economic activity and real income.
 - d. All of the above are correct.

- _____ 6. As recessions begin, production
 - a. and unemployment both rise.
 - b. rises and unemployment falls.
 - c. falls and unemployment rises.
 - d. and unemployment both fall.

- _____ 7. Which of the following is correct concerning recessions?
 - a. They come at fairly regular and predictable intervals.
 - b. They are associated with comparatively large declines in investment spending.
 - c. They are any period when real GDP growth is less than average.
 - d. They tend to be associated with falling unemployment rates.

Name: _____

ID: A

- _____ 8. Historically, the change in real GDP during recessions has been
- a. mostly a change in investment spending.
 - b. mostly a change in consumption spending.
 - c. about equally divided between consumption and investment spending.
 - d. sometimes mostly a change in consumption and sometimes mostly a change in investment.
- _____ 9. The model of aggregate demand and aggregate supply explains the relationship between
- a. the price and quantity of a particular good.
 - b. unemployment and output.
 - c. wages and employment.
 - d. real GDP and the price level.
- _____ 10. Which of the following adjust to bring aggregate supply and demand into balance?
- a. the price level and real output
 - b. the real rate of interest and the money supply
 - c. government expenditures and taxes
 - d. the saving rate and net exports

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Answer Section

MULTIPLE CHOICE

1. ANS: D PTS: 1 DIF: 1 REF: 33-1
 NAT: Analytic LOC: Aggregate demand and aggregate supply
 TOP: Business cycle MSC: Definitional
2. ANS: A PTS: 1 DIF: 1 REF: 33-1
 NAT: Analytic LOC: Aggregate demand and aggregate supply
 TOP: Economic fluctuations MSC: Interpretive
3. ANS: C PTS: 1 DIF: 1 REF: 33-1
 NAT: Analytic LOC: Aggregate demand and aggregate supply
 TOP: Business cycle MSC: Definitional
4. ANS: A PTS: 1 DIF: 1 REF: 33-1
 NAT: Analytic LOC: Aggregate demand and aggregate supply
 TOP: Business cycle MSC: Definitional
5. ANS: C PTS: 1 DIF: 1 REF: 33-1
 NAT: Analytic LOC: Aggregate demand and aggregate supply
 TOP: Real GDP MSC: Definitional
6. ANS: C PTS: 1 DIF: 1 REF: 33-1
 NAT: Analytic LOC: Aggregate demand and aggregate supply
 TOP: Unemployment and the business cycle MSC: Definitional
7. ANS: B PTS: 1 DIF: 1 REF: 33-1
 NAT: Analytic LOC: Aggregate demand and aggregate supply
 TOP: Business cycle MSC: Definitional
8. ANS: A PTS: 1 DIF: 1 REF: 33-1
 NAT: Analytic LOC: Aggregate demand and aggregate supply
 TOP: Investment and the business cycle MSC: Definitional
9. ANS: D PTS: 1 DIF: 1 REF: 33-2
 NAT: Analytic LOC: Aggregate demand and aggregate supply
 TOP: Aggregate demand and aggregate supply model MSC: Definitional
10. ANS: A PTS: 1 DIF: 1 REF: 33-2
 NAT: Analytic LOC: Aggregate demand and aggregate supply
 TOP: Aggregate demand and aggregate supply model MSC: Definitional