CALIFORNIA ECONOMICS · UNIT 2

Macroeconomics and the Global Economy — Practice Test

California Economics • 10 questions

This practice test was made by AI and there may be mistakes. If a question or answer looks wrong, use the Flag a mistake button to let Brett know so he can fix it.

1 **Deflation is a fall in the general**

- A Price level
- B Tax rate
- C Trade volume
- D Money supply

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2 **Setting interest rates by a central bank is an example of**

A Monetary policy

B Price control

C Fiscal policy

D Trade policy

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3 **To fight inflation, a government using contractionary fiscal policy would most likely**

A Raise the money supply

B Lower interest rates

C Cut taxes and raise spending

D Raise taxes and cut spending

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4 **The national debt is the total of all past**

- **A** Tax revenues
- **B** Trade balances
- **C** Accumulated deficits
- **D** Annual surpluses

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5 **A country should specialize in the good it can produce at the lowest opportunity cost. This is called**

- **A** Autarky
- **B** Comparative advantage
- **C** Protectionism
- **D** Absolute advantage

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6 **A tariff is a tax on**

- A Imports
- B Domestic sales
- C Wages
- D Exports only

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7 **A quota limits the**

- A Quantity of imports
- B Number of banks
- C Price of exports
- D Size of the labor force

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8 **If the dollar strengthens, American exports become more expensive abroad. The likely effect on exports is**

- A They stay the same
- B They fall
- C They end
- D They rise

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9 **A free trade agreement generally**

- A Sets a minimum wage
- B Bans all imports
- C Reduces barriers to trade
- D Fixes exchange rates

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10 **The marginal propensity to consume is 0.9 What is the spending multiplier?**

ANSWER

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ANSWER KEY

1. A
2. A
3. D
4. C
5. B
6. A
7. A
8. B
9. C
10. 10

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