CALIFORNIA ECONOMICS · UNIT 2 · 25 QUESTIONS

Macroeconomics and the Global Economy — Practice Test

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 **Gross domestic product measures the market value of**

A All used goods sold in a year

B All final goods and services produced in a country

C Only government spending

D Only goods exported abroad

Understand It with Pulse | Flag a mistake

2 **Real GDP differs from nominal GDP because real GDP is adjusted for**

A Trade

B Price changes

C Taxes

D Population

Understand It with Pulse | Flag a mistake

3 **A family buying groceries for its own use counts in GDP as**

A Government spending

B Consumption

C Investment

D Net exports

Understand It with Pulse | Flag a mistake

4 **A firm building a new factory in San Jose counts in GDP as**

- A Investment
- B Net exports
- C Government spending
- D Consumption

Understand It with Pulse | Flag a mistake

5 **Consumption is 700, investment is 250, government spending is 350 and net exports are -40. What is GDP?**

ANSWER _____

Understand It with Pulse | Flag a mistake

6 **Total output is 3000 and population is 150. What is output per person?**

ANSWER _____

Understand It with Pulse | Flag a mistake

7 **A worker loses a job while searching for a better job is an example of**

A Structural unemployment

B Cyclical unemployment

C Seasonal unemployment

D Frictional unemployment

Understand It with Pulse | Flag a mistake

8 **A worker whose skills no longer match available jobs faces**

A Cyclical unemployment

B Frictional unemployment

C Seasonal unemployment

D Structural unemployment

Understand It with Pulse | Flag a mistake

9 **A worker loses a job because a recession reduces demand for the firm output. This is**

A Cyclical unemployment

B Seasonal unemployment

C Structural unemployment

D Frictional unemployment

Understand It with Pulse | Flag a mistake

10 **In a labor force of 250, there are 15 unemployed workers What is the unemployment rate, in percent?**

ANSWER _____

Understand It with Pulse | Flag a mistake

11 **A basket of goods cost 120 in the base year and 150 this year What is the consumer price index this year?**

ANSWER _____

Understand It with Pulse | Flag a mistake

12 **The consumer price index rises from 125 to 137.5 What is the inflation rate, in percent?**

ANSWER _____

Understand It with Pulse | Flag a mistake

13 **The nominal interest rate is 8 percent and inflation is 5 percent What is the real interest rate, in percent?**

ANSWER _____

Understand It with Pulse | Flag a mistake

14 **During a recession, real GDP and employment generally**

A Both rise

B Move in opposite ways

C Both fall

D Stay the same

Understand It with Pulse | Flag a mistake

15 **An increase in consumer spending will shift aggregate demand**

A Down

B Left

C Right

D Not at all

Understand It with Pulse | Flag a mistake

16 **A sharp rise in oil prices raises production costs. Short run aggregate supply shifts**

A Not at all

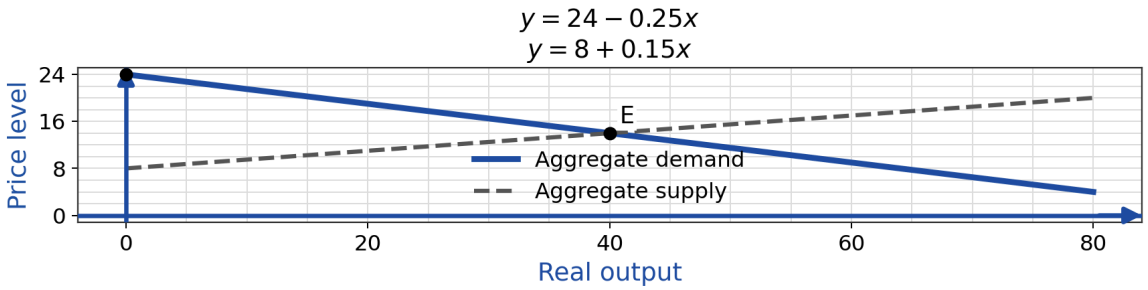
B Right

C Up

D Left

Understand It with Pulse | Flag a mistake

17 **The graph shows aggregate demand and short run aggregate supply**
The equilibrium price level is



A 12

B 14

C 10

D 16

Understand It with Pulse | Flag a mistake

18 **The government raises spending on roads to fight a recession This is an example of**

A Monetary policy

B Trade policy

C Expansionary fiscal policy

D Contractionary fiscal policy

Understand It with Pulse | Flag a mistake

19 **The marginal propensity to consume is 0.75 What is the spending multiplier?**

ANSWER _____

Understand It with Pulse | Flag a mistake

20 **Government borrowing that pushes up interest rates and reduces private investment is called**

A Stagflation

B Deflation

C Crowding in

D Crowding out

Understand It with Pulse | Flag a mistake

21 **When the central bank raises interest rates, borrowing and spending usually**

A Stay the same

B Rise

C Become zero

D Fall

Understand It with Pulse | Flag a mistake

22 **Selling government bonds on the open market will tend to**

A Lower the money supply

B Leave the money supply unchanged

C End banking

D Raise the money supply

Understand It with Pulse | Flag a mistake

23 **If the required reserve ratio is 0.25, the simple money multiplier is**

ANSWER _____

Understand It with Pulse | Flag a mistake

24 **A country exports more than it imports. It has a trade**

A Balance

B Deficit

C Embargo

D Surplus

Understand It with Pulse | Flag a mistake

25 **Unemployment insurance payments rise automatically in a recession They are an example of**

A An automatic stabilizer

B A tariff

C A price control

D Discretionary spending

Understand It with Pulse | Flag a mistake

ANSWER KEY

1.	B	**10.**	6	**19.**	4
2.	B	**11.**	125	**20.**	D
3.	B	**12.**	10	**21.**	D
4.	A	**13.**	3	**22.**	A
5.	1260	**14.**	C	**23.**	4
6.	20	**15.**	C	**24.**	D
7.	D	**16.**	D	**25.**	A
8.	D	**17.**	B		
9.	A	**18.**	C		

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