KENTUCKY ECONOMICS · UNIT 2 · 10 QUESTIONS

Macroeconomics — 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 **What happens to the tax rate as income rises under a progressive tax system?**

- A The tax rate falls
- B The tax rate stays the same
- C The tax rate rises
- D Taxes are eliminated

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2 **Supply side economic policy aims mainly to**

- A Raise consumer spending only
- B Increase the economy capacity to produce
- C Fix the exchange rate
- D Control the money supply only

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3 **A contractionary monetary policy would most likely include**

A Buying government bonds

B Lowering the discount rate

C Selling government bonds

D Lowering reserve requirements

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4 **Open market operations are the buying and selling of**

A Corporate stock

B Government bonds

C Foreign currency only

D Real estate

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5 **If the dollar depreciates, what happens to the price of imports for United States buyers?**

- A They become cheaper
- B They become more expensive
- C They stay the same
- D They become free

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6 **Which of the following is NOT counted in gross domestic product?**

- A A newly built house
- B A new car
- C A haircut
- D The sale of a used car

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7 **If the marginal propensity to consume is 0.8, what is the spending multiplier?**

ANSWER _____

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8 **Government spending rises by 200 and the spending multiplier is 4. By how much does GDP rise?**

ANSWER _____

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9 **A recession is best described as a**

A Sustained decline in real GDP

B Rise in the price level only

C Fall in the unemployment rate

D Rise in exports only

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10 **The discount rate is the interest rate**

- **A** Banks charge each other overnight
- **B** The central bank charges banks for loans
- **C** Consumers pay on credit cards
- **D** The government pays on bonds

Understand It with Pulse **Flag a mistake**

ANSWER KEY

1. C
2. B
3. C
4. B
5. B
6. D
7. 5
8. 800
9. A
10. B

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