NEW MEXICO ECONOMICS · UNIT 2 · 25 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 does gross domestic product measure?**



A The value of all final goods and services produced in a country in a year

B The total money in banks

C The total value of exports only

D The total income of the government

Understand It with Pulse | Flag a mistake

2 **Which equation shows the spending approach to gross domestic product?**

- A C + I + G + NX
- B C - I - G - NX
- C C + I - G
- D C + G - NX

Understand It with Pulse | Flag a mistake

3 **How does real gross domestic product differ from nominal gross domestic product?**

- A Real GDP counts only services
- B Real GDP adjusts for price changes
- C Real GDP counts only exports
- D Real GDP ignores government spending

Understand It with Pulse | Flag a mistake

4 **Nominal GDP is 1200 and the price index is 120 with a base year value of 100. What is real GDP?**

ANSWER _____

Understand It with Pulse | Flag a mistake

5 **A labor force of 200 people includes 16 unemployed people. What is the unemployment rate, in percent?**

ANSWER _____

Understand It with Pulse | Flag a mistake

6 **A worker who quits one job and is looking for another is an example of which type of unemployment?**



A Frictional

B Structural

C Cyclical

D Seasonal

Understand It with Pulse | Flag a mistake

7 **Workers lose jobs because their skills no longer match available jobs. This is an example of**

- A Frictional unemployment
- B Cyclical unemployment
- C Structural unemployment
- D Seasonal unemployment

Understand It with Pulse | Flag a mistake

8 **Unemployment that rises during a recession is best described as**

- A Frictional
- B Structural
- C Cyclical
- D Voluntary

Understand It with Pulse | Flag a mistake

9 **The consumer price index rises from 200 to 220. What is the inflation rate, in percent?**

ANSWER

Understand It with Pulse | Flag a mistake

10 **In the business cycle, the period from a peak to a trough is called**



A An expansion

B A recovery

C A contraction

D A boom

Understand It with Pulse | Flag a mistake

11 **Fiscal policy refers to government decisions about**

A Interest rates only

B Spending and taxes

C The money supply only

D Exchange rates only

Understand It with Pulse | Flag a mistake

12 **To fight a recession, an expansionary fiscal policy would**

A Cut spending and raise taxes

B Raise spending and cut taxes

C Raise spending and raise taxes

D Cut spending and cut taxes

Understand It with Pulse | Flag a mistake

13 **Monetary policy refers to central bank decisions about**



A Tax rates

B Government spending

C The money supply and interest rates

D Trade quotas

Understand It with Pulse | Flag a mistake

14 **If a central bank raises interest rates, what is the most likely effect on inflation?**

A Inflation rises

B Inflation falls

C Inflation stays the same

D Inflation becomes zero

Understand It with Pulse | Flag a mistake

15 **If banks must hold 20 percent of deposits as reserves, what is the simple money multiplier?**

ANSWER _____

Understand It with Pulse | Flag a mistake

16 **A deposit of 1000 enters a banking system with a money multiplier of 5. What is the maximum total amount of money that can result?**

ANSWER _____

Understand It with Pulse | Flag a mistake

17 **Consumer confidence rises sharply. What happens to aggregate demand?**



A It shifts left

B It shifts right

C It stays the same

D It becomes vertical

Understand It with Pulse | Flag a mistake

18 **A sharp rise in oil prices shifts aggregate supply left. What combination is most likely?**

- A Higher output and lower prices
- B Lower output and lower prices
- C Higher output and higher prices
- D Lower output and higher prices

Understand It with Pulse | Flag a mistake

19 **In the short run, the Phillips curve shows a tradeoff between**

- A Inflation and unemployment
- B Taxes and spending
- C Exports and imports
- D Saving and investment

Understand It with Pulse | Flag a mistake

20 **What is the difference between a budget deficit and the national debt?**

- **A** The deficit is the yearly shortfall and the debt is the total accumulated borrowing
- **B** The deficit is the total and the debt is the yearly shortfall
- **C** They are the same thing
- **D** The deficit is held abroad and the debt is held at home

Understand It with Pulse | Flag a mistake

21 **Which of the following is an automatic stabilizer?**

- **A** Unemployment insurance
- **B** A new highway bill
- **C** A tax rate change passed by Congress
- **D** A change in the discount rate

Understand It with Pulse | Flag a mistake

22 **Money is used to buy goods and services. This is money serving as a**

A Store of value

B Unit of account

C Medium of exchange

D Standard of deferred payment

Understand It with Pulse | Flag a mistake

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



A Trade surplus

B Trade deficit

C Balanced budget

D Budget surplus

Understand It with Pulse | Flag a mistake

24 **If the dollar appreciates, what happens to the price of United States exports for foreign buyers?**

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

Understand It with Pulse | Flag a mistake

25 **If interest rates fall, what is the most likely effect on business investment?**

- A It falls
- B It rises
- C It stays the same
- D It becomes zero

Understand It with Pulse | Flag a mistake

ANSWER KEY

1. A
2. A
3. B
4. 1000
5. 8
6. A
7. C
8. C
9. 10
10. C
11. B
12. B
13. C
14. B
15. 5
16. 5000
17. B
18. D
19. A
20. A
21. A
22. C
23. B
24. B
25. B

© 2026 Brett Robbins. All Rights Reserved.