

Exam

Name\_\_\_\_\_

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Economists call the final value of all products and services produced annually in a country, 1) \_\_\_\_\_
- A) industrial value of product.
  - B) gross domestic product.
  - C) grand total product.
  - D) national production.
  - E) total product.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

- 2) A person is counted as unemployed if she is 2) \_\_\_\_\_
- A) at home because she has given up looking for a job.
  - B) retired.
  - C) too young to work.
  - D) not employed and is actively seeking work.
  - E) a full time student.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

- 3) Economists who support a hands-on approach believe that the major cause of business cycles is 3) \_\_\_\_\_
- A) external events
  - B) expectations.
  - C) economists.
  - D) government policy.
  - E) government failure.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

- 4) When there is inflation, 4) \_\_\_\_\_
- A) the purchasing power of your savings rises.
  - B) your standard of living falls if your income rises faster than the prices of what you buy.
  - C) average prices fall.
  - D) the value of money rises.
  - E) your standard of living rises if your income rises faster than the prices of what you buy.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

- 5) The economist most closely associated with the "Yes, left alone, markets quickly self-adjust" view is 5) \_\_\_\_\_
- A) J.B. Say.
  - B) A.C. Pigou.
  - C) G.B. Shaw.
  - D) J.M. Keynes.
  - E) J.K. Rowling.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

- 6) When unemployment is low, 6) \_\_\_\_\_
- A) employers can choose from a large pool of applicants for a job.
  - B) employers have an advantage in bargaining over wages.
  - C) workers have an advantage in bargaining over wages.
  - D) workers compete against many other unemployed workers.
  - E) jobs are hard to find.

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

- 7) It is desirable to have higher GDP per person and 7) \_\_\_\_\_
- A) a falling value of money.
  - B) steady growth in GDP.
  - C) unpredictable changes in prices.
  - D) cyclical ups and downs in GDP.
  - E) a rising price level.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

8) When everybody saves their money, aggregate savings *decrease*. This is an example of

8) \_\_\_\_\_

- A) Say's Law.
- B) the Fallacy of Combination.
- C) the Paradox of Thrift.
- D) the Zero Sum Scenario.
- E) the Kobayashi Maru Scenario.

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

9) Say's Law states:

9) \_\_\_\_\_

- A) In the long run, we are all dead.
- B) The meek shall inherit the earth.
- C) What is true for one is not true for all.
- D) What goes up must come down.
- E) Supply creates its own demand.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

10) Inflation is a fall in the

10) \_\_\_\_\_

- A) value of money.
- B) number of people looking for work.
- C) number of people employed.
- D) average price level.
- E) final value of all products and services produced.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

11) A healthy economy should have

11) \_\_\_\_\_

- A) low GDP per person, high inflation and low unemployment.
- B) high GDP per person, low inflation and low unemployment..
- C) high GDP per person, high inflation and low unemployment.
- D) low GDP per person, low inflation and low unemployment.
- E) high GDP per person, high inflation and high unemployment.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

12) In the circular flow of economic life, which players are the main sellers in input markets?

12) \_\_\_\_\_

- A) governments
- B) banks
- C) economists
- D) businesses
- E) households

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

13) Economists who support a hands-off approach believe that

13) \_\_\_\_\_

- A) markets will quickly self-adjust.
- B) markets will not self-adjust.
- C) markets do not exist.
- D) the world is ending in 2016.
- E) demand creates its own supply.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

14) Economists argue that the Great Depression of 1929 was worse than the Great Recession of 2009 because in 1929 there were no

14) \_\_\_\_\_

- A) government programs to cushion the blow.
- B) falling prices.
- C) stock market crashes.
- D) bank failures.
- E) government blunders.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

15) When the price level rises by 5 percent, products that cost \$20 last year will now cost

15) \_\_\_\_\_

- A) \$30.
- B) \$25.
- C) \$1.
- D) \$21.
- E) \$100.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

16) In the circular flow of economic life, which players are the main buyers in output markets?

16) \_\_\_\_\_

- A) banks
- B) governments
- C) businesses
- D) households
- E) economists

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

17) Which of the following is *not* a macroeconomic MAPS? Focus on the connections between

17) \_\_\_\_\_

- A) expectations and the input and output markets of the circular flow.
- B) additional benefits and additional opportunity costs.
- C) input markets and output markets for both demand and supply sides.
- D) Canada and the rest of the world.
- E) money and the input and output markets of the circular flow.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

18) Economists who support a hands-off approach believe that

18) \_\_\_\_\_

- A) government is part of the solution.
- B) macroeconomic and microeconomic outcomes are different.
- C) socialism is better than capitalism.
- D) supply creates its own demand.
- E) markets fail to quickly self-adjust.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

19) The group of macroeconomic players that makes the most choices about spending on Canadian exports is

19) \_\_\_\_\_

- A) businesses.
- B) the rest of the world.
- C) the Bank of Canada and banking system.
- D) government.
- E) consumers.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

20) Which political party is least likely to support a hands-on approach by government?

20) \_\_\_\_\_

- A) Conservative Party of Canada
- B) New Democratic Party
- C) Liberal Party of Canada
- D) Bloc Quebecois
- E) Green Party

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

21) In the circular flow of economic life, which players are the main sellers in output markets?

21) \_\_\_\_\_

- A) banks
- B) businesses
- C) governments
- D) households
- E) economists

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

22) The largest group of macroeconomic players that chooses whether or not to spend on imported products/services is

22) \_\_\_\_\_

- A) businesses.
- B) consumers.
- C) the Bank of Canada and banking system.
- D) government.
- E) the rest of world.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

23) A healthy economy has all of the following *except*

23) \_\_\_\_\_

- A) smooth, steady growth in GDP.
- B) unpredictable changes in the price level.
- C) full employment.
- D) low unemployment.
- E) a mild inflation rate.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

24) Fiscal policy includes government changes in

24) \_\_\_\_\_

- A) the supply of money.
- B) exports.
- C) taxes.
- D) interest rates.
- E) imports.

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

25) Which of the following individuals would count as unemployed?

25) \_\_\_\_\_

- A) a full-time student
- B) an ex-student who has graduated and is working
- C) an ex-student who has graduated but is not looking for work
- D) an ex-student who has graduated and is looking for work

Answer: D

Explanation: A)  
B)  
C)  
D)

26) Which outcome is *not* part of the fundamental macroeconomic question?

26) \_\_\_\_\_

- A) low unemployment
- B) full employment
- C) a strong Canadian dollar
- D) steady growth in living standards
- E) stable prices

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

27) Fiscal policy is chosen by

27) \_\_\_\_\_

- A) businesses.
- B) the rest of the world.
- C) the Bank of Canada and banking system.
- D) consumers.
- E) government.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

28) If the inflation rate is 10 percent, products that used to cost \$50 cost \_\_\_\_\_ a year later.  
A) \$51                      B) \$60                      C) \$100                      D) \$55                      E) \$40

28) \_\_\_\_\_

Answer: D

Explanation:    A)  
                         B)  
                         C)  
                         D)  
                         E)

29) When unemployment is high,  
A) workers compete against many other unemployed workers.

29) \_\_\_\_\_

- B) workers can choose from a large pool of available jobs.  
C) jobs are easy to find.  
D) workers have an advantage in bargaining over wages.  
E) employers compete against many other employers for new workers.

Answer: A

Explanation:    A)  
                         B)  
                         C)  
                         D)  
                         E)

30) Fiscal policy includes government changes in

30) \_\_\_\_\_

- A) imports.  
B) transfer payments.  
C) exports.  
D) interest rates.  
E) the supply of money.

Answer: B

Explanation:    A)  
                         B)  
                         C)  
                         D)  
                         E)

31) Economists who support a hands-off approach believe that

31) \_\_\_\_\_

- A) market failure is worse than government failure.  
B) demand creates its own supply.  
C) external events are the major cause of business cycles.  
D) macroeconomic and microeconomic outcomes are different.  
E) markets fail to adjust quickly.

Answer: C

Explanation:    A)  
                         B)  
                         C)  
                         D)  
                         E)



- 32) When unemployment is low, 32) \_\_\_\_\_
- A) jobs are hard to find.
  - B) employers can choose from a large pool of applicants for a job.
  - C) employers have an advantage in bargaining over wages.
  - D) employers compete against many other employers for new workers.
  - E) workers compete against many other unemployed workers.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

- 33) Purchases of new factories and equipment by businesses are called 33) \_\_\_\_\_
- A) exports.
  - B) labour costs.
  - C) investment spending.
  - D) stock investments.

Answer: C

Explanation: A)  
B)  
C)  
D)

- 34) Economists who support a hands-off approach believe that business cycles are caused by 34) \_\_\_\_\_
- A) banking.
  - B) money.
  - C) government policy.
  - D) irrational investors.
  - E) expectations.

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

- 35) The largest group of macroeconomic players that chooses whether or not to save is 35) \_\_\_\_\_
- A) government.
  - B) consumers.
  - C) rest of the world.
  - D) businesses.
  - E) Bank of Canada and banking system.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

36) Economists who support a hands-on approach believe that business cycles are caused by

36) \_\_\_\_\_

- A) expectations.
- B) banking.
- C) money.
- D) irrational investors.
- E) all of the above answers.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

37) In the circular flow of economic life, which players are the main buyers in input markets?

37) \_\_\_\_\_

- A) economists
- B) households
- C) businesses
- D) governments
- E) banks

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

38) Which of the following is *not* part of the MACroeconomics Positioning System (MAPS)?

38) \_\_\_\_\_

- A) connections between Canada and the rest of the world
- B) connection between money/banks/expectations and input and output markets
- C) connection between input and output markets
- D) connection between households and consumers

Answer: D

Explanation: A)  
B)  
C)  
D)

39) Which of the following is *not* a macroeconomic MAPS? Focus on the connections between

39) \_\_\_\_\_

- A) input markets and output markets for both demand and supply sides.
- B) government and the input and output markets of the circular flow.
- C) banks and the input and output markets of the circular flow.
- D) money and the input and output markets of the circular flow.
- E) Canada and the rest of the world.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

- 40) Transfer payments by governments to consumers include
- A) Employment Insurance for the unemployed.
  - B) Canadian Child Tax Benefit payments to low-income families.
  - C) Old Age Security payments to seniors.
  - D) All of the above

40) \_\_\_\_\_

Answer: D

Explanation: A)  
B)  
C)  
D)

- 41) Who said, "In the long run, we are all dead?"

41) \_\_\_\_\_

- A) G.B. Shaw
- B) J.B. Say
- C) D. Vader
- D) J.K. Rowling
- E) J.M. Keynes

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

- 42) Inflation is a rise in the

42) \_\_\_\_\_

- A) value of money.
- B) number of people employed.
- C) number of people looking for work.
- D) value of savings.
- E) average price level.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

- 43) Higher GDP per person means

43) \_\_\_\_\_

- A) a shrinking population.
- B) higher living standards.
- C) higher unemployment rates.
- D) a growing population.
- E) lower prices.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

44) If the inflation rate is 10 percent, products that used to cost \$80 cost \_\_\_\_\_ a year later.  
A) \$70                      B) \$800                      C) \$88                      D) \$90                      E) \$81

44) \_\_\_\_\_

Answer: C

Explanation:    A)  
                      B)  
                      C)  
                      D)  
                      E)

45) Fiscal policy includes government changes in

45) \_\_\_\_\_

- A) imports.
- B) exports.
- C) interest rates.
- D) the supply of money.
- E) government purchases.

Answer: E

Explanation:    A)  
                      B)  
                      C)  
                      D)  
                      E)

46) Say's Law claims that

46) \_\_\_\_\_

- A) supply creates its own demand.
- B) supply is greater than demand.
- C) demand creates its own supply.
- D) demand is greater than supply.

Answer: A

Explanation:    A)  
                      B)  
                      C)  
                      D)

47) When there is inflation,

47) \_\_\_\_\_

- A) your standard of living falls if your income rises faster than the prices of what you buy.
- B) your standard of living rises if the prices of what you buy rise faster than your income.
- C) the value of money falls.
- D) average prices fall.
- E) the purchasing power of your savings rises.

Answer: C

Explanation:    A)  
                      B)  
                      C)  
                      D)  
                      E)

- 48) Economists who support a hands-on approach believe that
- A) markets quickly self-adjust.
  - B) socialism is better than capitalism.
  - C) macroeconomic and microeconomic outcomes are different.
  - D) supply creates its own demand.
  - E) government is part of the problem.

48) \_\_\_\_\_

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

- 49) Macroeconomics is concerned with
- A) shopping.
  - B) individual choices.
  - C) choices made by business people.
  - D) why you might work more hours if given a pay raise.
  - E) the performance of the Canadian economy.

49) \_\_\_\_\_

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

- 50) The economist most closely associated with the "No, left alone markets fail to quickly self-adjust" is
- A) Jean-Baptiste Say.
  - B) Norm Peterson.
  - C) James Tiberius Kirk.
  - D) Joseph Stiglitz.
  - E) John Maynard Keynes.

50) \_\_\_\_\_

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

- 51) Those favouring a government hands-off approach argue that
- A) markets will quickly-self adjust if left alone by government.
  - B) markets will quickly self-adjust.
  - C) markets will not quickly self-adjust.
  - D) markets will self-adjust.

51) \_\_\_\_\_

Answer: A

Explanation: A)  
B)  
C)  
D)

52) What do the Great Depression and Great Recession have in common?

52) \_\_\_\_\_

- A) Both experienced a rise in prices.
- B) Both were great for depression.
- C) Both had government programs like employment insurance.
- D) Both had a stock market crash.

Answer: D

Explanation: A)  
B)  
C)  
D)

53) Which political party is most likely to support a hands-off approach by government?

53) \_\_\_\_\_

- A) NDP
- B) Bloc Québécois
- C) Liberal Party of Canada
- D) Conservative Party of Canada

Answer: D

Explanation: A)  
B)  
C)  
D)

54) Monetary policy is chosen by

54) \_\_\_\_\_

- A) the Bank of Canada.
- B) businesses.
- C) consumers.
- D) government.
- E) the rest of the world.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

55) The amount of unemployment in the economy matters to your personal economic success because it affects your ability to

55) \_\_\_\_\_

- A) bargain for higher wages.
- B) find a job.
- C) bargain for better working conditions.
- D) All of the above

Answer: D

Explanation: A)  
B)  
C)  
D)

56) Economists who support a hands-off approach believe that business cycles are caused by

56) \_\_\_\_\_

- A) irrational investors.
- B) expectations.
- C) money.
- D) external events.
- E) banking.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

57) According to the *paradox of thrift*, when everyone saves more,

57) \_\_\_\_\_

- A) businesses will raise prices.
- B) businesses will lay off workers.
- C) banks will raise interest rates.
- D) households will spend more.
- E) government will spend more.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

58) Macroeconomics is concerned with

58) \_\_\_\_\_

- A) shopping.
- B) individual choices.
- C) choices made by business people.
- D) the global economy.
- E) why you might work more hours if given a pay raise.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

59) Economists who support a hands-on approach believe that

59) \_\_\_\_\_

- A) markets adjust quickly.
- B) demand creates its own supply.
- C) supply creates its own demand.
- D) market failure is worse than government failure.
- E) external events are the major cause of business cycles.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

60) The group of macroeconomic players that chooses monetary policy is

60) \_\_\_\_\_

- A) the rest of the world.
- B) the Bank of Canada.
- C) government.
- D) consumers.
- E) businesses.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

61) Monetary policy includes changes in

61) \_\_\_\_\_

- A) imports.
- B) government purchases.
- C) transfer payments.
- D) exports.
- E) the supply of money.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

62) During the Great Recession, all of the following indicators fell *except*

62) \_\_\_\_\_

- A) housing prices.
- B) asset prices.
- C) stock market values.
- D) unemployment.

Answer: D

Explanation: A)  
B)  
C)  
D)

63) Which political party is most likely to support a hands-off approach by government?

63) \_\_\_\_\_

- A) Green Party
- B) Conservative Party of Canada
- C) Bloc Quebecois
- D) New Democratic Party
- E) Liberal Party of Canada

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)



- 64) The group of macroeconomic players that makes the most choices about investment spending is 64) \_\_\_\_\_
- A) consumers.
  - B) businesses.
  - C) the Bank of Canada and banking system.
  - D) the rest of the world.
  - E) government.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

- 65) Lower GDP per person means 65) \_\_\_\_\_
- A) lower living standards.
  - B) lower unemployment rates.
  - C) a shrinking population.
  - D) higher prices.
  - E) a growing population.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

- 66) During the Great Recession, all of the following measures fell *except* 66) \_\_\_\_\_
- A) unemployment.
  - B) housing prices.
  - C) economic growth.
  - D) asset prices.
  - E) stock prices.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

- 67) Macroeconomics is concerned with 67) \_\_\_\_\_
- A) the combined outcomes of all individual choices.
  - B) the global economy.
  - C) money and the financial system.
  - D) the Canadian economy.
  - E) all of the above answers.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

68) The group of macroeconomic players that chooses fiscal policy is

68) \_\_\_\_\_

- A) government.
- B) consumers.
- C) the rest of the world.
- D) businesses.
- E) the Bank of Canada and banking system.

Answer: A

Explanation: A)  
B)  
C)  
D)  
E)

69) Monetary policy includes changes in

69) \_\_\_\_\_

- A) exports.
- B) government purchases.
- C) interest rates.
- D) imports.
- E) taxes.

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

70) If J.B. Say were alive today and could vote in Canadian elections, he would probably support the

70) \_\_\_\_\_

- A) Liberal Party.
- B) Green Party.
- C) Conservative Party of Canada.
- D) Bloc Quebecois.
- E) New Democratic Party.

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

71) The performance of the Canadian economy is measured by the key outcome(s) of

71) \_\_\_\_\_

- A) unemployment.
- B) inflation.
- C) GDP.
- D) All of the above

Answer: D

Explanation: A)  
B)  
C)  
D)

72) Gross domestic product measures the final value of all products and services produced

72) \_\_\_\_\_

- A) per hour.
- B) since January 1, 2010.
- C) since the country began producing.
- D) since January 1, 2000.
- E) in a year.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

73) Monetary policy is the responsibility of the

73) \_\_\_\_\_

- A) Bank of Canada.
- B) Bank of Nova Scotia.
- C) Bank of Montreal.
- D) Government of Canada.

Answer: A

Explanation: A)  
B)  
C)  
D)

74) When unemployment is high,

74) \_\_\_\_\_

- A) workers have an advantage in bargaining over wages.
- B) workers can choose from a large pool of available jobs.
- C) jobs are easy to find.
- D) employers have an advantage in bargaining over wages.
- E) employers compete against many other employers for new workers.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

75) When the price level rises by 10 percent, products that cost \$20 last year will now cost

75) \_\_\_\_\_

- A) \$25.
- B) \$21.
- C) \$200.
- D) \$2.
- E) \$22.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

- 76) When there is inflation, 76) \_\_\_\_\_  
A) your standard of living falls if your income rises faster than the prices of what you buy.  
B) average prices fall.  
C) the purchasing power of your savings rises.  
D) the purchasing power of your savings falls.  
E) the value of money rises.  
Answer: D  
Explanation: A)  
B)  
C)  
D)  
E)
- 77) Who is to blame for inflating the housing price bubble? 77) \_\_\_\_\_  
A) banks and other financial institutions B) mortgage lenders  
C) homeowners D) all of the above  
Answer: D  
Explanation: A)  
B)  
C)  
D)
- 78) The *fallacy of composition* suggests 78) \_\_\_\_\_  
A) what goes around, comes around.  
B) what is true for one is not true for all.  
C) be true to your school.  
D) all for one and one for all.  
E) the needs of the many outweigh the needs of the few, or the one.  
Answer: B  
Explanation: A)  
B)  
C)  
D)  
E)
- 79) Input markets determine 79) \_\_\_\_\_  
A) outputs.  
B) loans.  
C) connections.  
D) all prices.  
E) incomes.  
Answer: E  
Explanation: A)  
B)  
C)  
D)  
E)

80) When the price level falls by 20 percent, products that used to cost \$600 will now cost 80) \_\_\_\_\_  
A) \$300. B) \$480. C) \$580. D) \$120. E) \$500.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

81) The largest group of macroeconomic players that chooses whether or not to hire Canadian workers 81) \_\_\_\_\_  
is

- A) the rest of the world.
- B) businesses.
- C) government.
- D) the Bank of Canada and banking system.
- E) consumers.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

82) Inflation is a rise in the 82) \_\_\_\_\_

- A) quantity of products/services in the economy.
- B) standard of living in the economy.
- C) average price level in the economy.
- D) value of money.

Answer: C

Explanation: A)  
B)  
C)  
D)

83) According to economists, *government failure* happens when 83) \_\_\_\_\_

- A) economists lie to politicians.
- B) a minority government is defeated in the House of Commons.
- C) politicians make intentional mistakes and lie to voters.
- D) policymakers are captured by special interest groups.
- E) the public interest can not be defined.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

84) Economists who support a hands-off approach believe that

84) \_\_\_\_\_

- A) hands-on economists are wimps.
- B) supply creates its own demand.
- C) governments never fail.
- D) demand creates its own supply.
- E) markets never fail.

Answer: B

Explanation: A)  
B)  
C)  
D)  
E)

85) If a very small region has 20 people unemployed and 80 people employed, the unemployment rate is

85) \_\_\_\_\_

- A) 40 percent.
- B) 25 percent.
- C) 33 percent.
- D) 60 percent.
- E) 20 percent.

Answer: E

Explanation: A)  
B)  
C)  
D)  
E)

86) When unemployment increases,

86) \_\_\_\_\_

- A) the economy is growing.
- B) GDP increases.
- C) the chance of finding a job decreases.
- D) All of the above

Answer: C

Explanation: A)  
B)  
C)  
D)

87) A higher GDP per person usually indicates

87) \_\_\_\_\_

- A) a lower living standard.
- B) a growing population.
- C) a higher living standard.
- D) a shrinking population.
- E) none of the above answers.

Answer: C

Explanation: A)  
B)  
C)  
D)  
E)

- 88) The group of macroeconomic players that makes the most choices about setting interest rates is 88) \_\_\_\_\_
- A) consumers.
  - B) businesses.
  - C) the rest of the world.
  - D) the Bank of Canada and banking system.
  - E) government.

Answer: D

Explanation: A)  
B)  
C)  
D)  
E)

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 89) Tiago graduated, and is actively looking for work. Tiago is considered to be unemployed. 89) \_\_\_\_\_

Answer: ☒ True ☐ False

Explanation:

- 90) The economist most closely associated with the view that markets are quick to adjust is J.B. Say. 90) \_\_\_\_\_

Answer: ☒ True ☐ False

Explanation:

- 91) Unpredictable changes in the inflation rate are good. 91) \_\_\_\_\_

Answer: ☐ True ☒ False

Explanation:

- 92) Hands-on economists believe that markets quickly self-adjust. 92) \_\_\_\_\_

Answer: ☐ True ☒ False

Explanation:

- 93) The inflation rate is measured by the Consumer Price Index. 93) \_\_\_\_\_

Answer: ☒ True ☐ False

Explanation:

- 94) A macroeconomic choice for businesses is whether to produce more pants or more boxer shorts. 94) \_\_\_\_\_

Answer: ☐ True ☒ False

Explanation:

- 95) One of the macroeconomic MAPS focuses on the connections between Canada and the rest of the world. 95) \_\_\_\_\_

Answer: ☒ True ☐ False

Explanation:

- 96) Hands-off economists believe that business cycles can be caused by government mistakes. 96) \_\_\_\_\_

Answer: ☒ True ☐ False

Explanation:

- 97) Higher and unpredictable inflation rates are good. 97) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 98) When the price level falls by 20 percent, products that previously cost \$60 will now cost \$48. 98) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 99) In the circular flow of economic life, businesses set the rules of the game. 99) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 100) The *paradox of thrift* occurs because if many people choose to save more and spend less, employment and savings will actually fall. 100) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 101) GDP includes all goods produced since January 1, 2000. 101) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 102) The economist most closely associated with the view that markets are *not* quick to adjust is J.M. Keynes. 102) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 103) The *paradox of thrift* occurs because if many people choose to save more and spend less, businesses will lower prices. 103) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 104) The effects of the Great Depression lasted over 10 years. 104) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 105) According to the fallacy of composition, "What is true for one is true for all." 105) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 106) Government failure can occur if policymakers make "honest mistakes." 106) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 107) Hands-off economists believe that markets do not quickly self-adjust. 107) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 108) The Conservative Party of Canada seems to believe that left alone, markets will quickly self-adjust. 108) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:



- 109) Government fiscal policy involves changes in interest rates. 109) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 110) Businesses are buyers in input markets. 110) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 111) All prices are determined in output markets. 111) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 112) Say's Law states, "What is true for one is *not* true for all." 112) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 113) When the price level falls by 20 percent, products that previously cost \$60 will now cost \$40. 113) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 114) When the unemployment rate is high, workers have an advantage in bargaining over wages. 114) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 115) It is desirable to have cyclical ups and downs in GDP. 115) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 116) Incomes are determined in input markets. 116) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 117) Government failure can make business cycles worse. 117) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 118) One of the macroeconomic MAPS focuses on the relationship between additional benefits and additional opportunity costs. 118) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 119) The economist most closely associated with the view that markets are *not* quick to adjust is J.B. Say. 119) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 120) Lower and predictable inflation rates are good. 120) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:

- 121) If your income rises faster than the prices of what you buy, your standard of living falls. 121) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 122) The Bank of Canada conducts monetary policy. 122) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 123) When there is deflation, the average value of money is rising. 123) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 124) The New Democratic Party (on the political left) believes that government failure is worse than market failure. 124) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 125) A macroeconomic choice for consumers is whether to buy products/services produced in Canada or imported from other countries. 125) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 126) Business investment spending includes purchasing stocks and bonds. 126) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 127) Households are buyers in input markets. 127) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 128) Macroeconomics analyzes the performance of the whole Canadian economy and the global economy. 128) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 129) Macroeconomics looks at the individual smart choices of consumers and businesses. 129) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 130) Consumers can choose to spend or save their income. 130) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 131) Gross domestic product is the value of all final products and services produced annually in a country. 131) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:

- 132) When a consumer household buys shares in a Canadian business, this counts as *investment spending*. 132) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 133) A fall in the average level of prices is called deflation. 133) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 134) Macroeconomics looks at the combined market outcomes of all individual choices. 134) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 135) In the circular flow of economic life, the government cannot purchase products in output markets. 135) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 136) Government transfers are negative taxes. 136) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 137) Hands-on economists believe that government failure is worse than market failure. 137) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 138) A rise in the average level of prices is called deflation. 138) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 139) When the total value of products/services produced is growing, unemployment rises. 139) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 140) One of the MAPS focuses on the connections between banks and the input and output markets of the circular flow. 140) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 141) When the price level rises by 10 percent, products that previously cost \$50 will now cost \$60. 141) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 142) Hands-on economists believe that markets do not quickly self-adjust. 142) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 143) "Choose only when additional benefits are greater than additional opportunity costs" is macroeconomic MAPS1. 143) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:

- 144) Hands-off economists believe that government failure is worse than market failure. 144) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 145) Unemployment tends to be inversely related to growth in GDP. 145) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 146) A macroeconomic choice for consumers is whether to buy an iPhone or a Blackberry. 146) \_\_\_\_\_  
Answer: ☐ True ☒ False  
Explanation:
- 147) When the price level rises by 20 percent, products that previously cost \$60 will now cost \$72. 147) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 148) A macroeconomic choice for businesses is whether or not to build new factories. 148) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 149) Monetary policy involves changes in interest rates and the supply of money. 149) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 150) Government fiscal policy involves changes in transfer payments. 150) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 151) If your income does not rise as fast as the prices of what you buy, your standard of living rises. 151) \_\_\_\_\_  
Answer: ☐ True ☒ False  
Explanation:
- 152) A macroeconomic choice for banks is whether to make loans or not. 152) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 153) The banking system includes the Bank of Canada and chartered banks but does *not* include trust companies. 153) \_\_\_\_\_  
Answer: ☐ True ☒ False  
Explanation:
- 154) Higher GDP per person allows higher living standards. 154) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 155) In the circular flow of economic life, the government sets the rules of the game. 155) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:

- 156) Government conducts fiscal policy by changing interest rates. 156) \_\_\_\_\_  
 Answer: ☒ True ☐ False  
 Explanation:
- 157) When everyone expects housing prices to rise, then housing prices will rise. 157) \_\_\_\_\_  
 Answer: ☒ True ☐ False  
 Explanation:
- 158) Hands-off economists believe that markets quickly self-adjust. 158) \_\_\_\_\_  
 Answer: ☒ True ☐ False  
 Explanation:
- 159) When the price level falls by 50 percent, products that previously cost \$600 will now cost \$300. 159) \_\_\_\_\_  
 Answer: ☒ True ☐ False  
 Explanation:
- 160) When the unemployment rate is high, employers have an advantage in bargaining over wages. 160) \_\_\_\_\_  
 Answer: ☒ True ☐ False  
 Explanation:
- 161) Say's Law states, "What is true for one is true for all." 161) \_\_\_\_\_  
 Answer: ☐ True ☒ False  
 Explanation:
- 162) Mortgages issued to people who cannot really afford houses are called *sub-prime* mortgages. 162) \_\_\_\_\_  
 Answer: ☒ True ☐ False  
 Explanation:
- 163) Hands-off economists believe that business cycles are caused by normally functioning markets. 163) \_\_\_\_\_  
 Answer: ☐ True ☒ False  
 Explanation:
- 164) Say's Law advises, "Be true to your school." 164) \_\_\_\_\_  
 Answer: ☐ True ☒ False  
 Explanation:
- 165) The economist most closely associated with the view that markets are quick to adjust is J.M. Keynes. 165) \_\_\_\_\_  
 Answer: ☐ True ☒ False  
 Explanation:
- 166) One of the macroeconomic MAPS focuses on the connections between banks and the input and output markets of the circular flow. 166) \_\_\_\_\_  
 Answer: ☒ True ☐ False  
 Explanation:
- 167) One of the macroeconomic MAPS focuses on the connections between input markets and output markets for both demand and supply sides. 167) \_\_\_\_\_  
 Answer: ☒ True ☐ False  
 Explanation:

- 168) Hands-off economists believe that market failure is worse than government failure. 168) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 169) Hands-on economists believe that business cycles can be caused by normally functioning markets. 169) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 170) Government fiscal policy involves changes in taxes. 170) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 171) When the unemployment rate is low, employers have an advantage in bargaining over wages. 171) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 172) *Rest of the world* players can invest in Canadian businesses. 172) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 173) A macroeconomic choice for consumers is whether to spend or save. 173) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 174) Hands-on economists believe that market failure is worse than government failure. 174) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 175) If your income rises faster than the prices of what you buy, your standard of living rises. 175) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 176) J.M. Keynes wrote his book after the Great Depression started. 176) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:
- 177) Market failure happens when government fails to serve the market's interests. 177) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 178) Microeconomics analyzes the performance of the whole Canadian economy and the global economy. 178) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 179) It is desirable to have steady growth in GDP. 179) \_\_\_\_\_  
Answer: ☒ True False  
Explanation:

- 180) Mortgages issued to people who cannot really afford houses are called *variable rate* mortgages. 180) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 181) Tiago graduated, but has given up looking for work. Tiago is considered to be unemployed. 181) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 182) Unemployment tends to be positively related to growth in GDP. 182) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 183) Businesses are sellers in input markets. 183) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 184) The Great Depression lasted for less than 24 months. 184) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 185) The Bank of Canada is responsible for setting tax rates. 185) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 186) When the unemployment rate is low, workers have an advantage in bargaining over wages. 186) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 187) When there is deflation, the average value of money is falling. 187) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 188) When the price level rises by 20 percent, products that previously cost \$60 will now cost \$80. 188) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 189) According to the fallacy of composition, "What is true for one is *not* true for all." 189) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 190) Price stability is not a desirable macroeconomic outcome. 190) \_\_\_\_\_  
Answer: True ☒ False  
Explanation:
- 191) "Choose only when additional benefits are greater than additional opportunity costs" is a microeconomic key to smart choices. 191) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:

- 192) Output prices are determined in output markets. 192) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 193) J.B. Say would probably vote for the New Democratic Party. 193) \_\_\_\_\_  
Answer: ☐ True ☒ False  
Explanation:
- 194) Incomes are determined in output markets. 194) \_\_\_\_\_  
Answer: ☐ True ☒ False  
Explanation:
- 195) If your income does not rise as fast as the prices of what you buy, your standard of living falls. 195) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 196) Government fiscal policy involves changes in the money supply. 196) \_\_\_\_\_  
Answer: ☐ True ☒ False  
Explanation:
- 197) MAPS focus on the background information you can safely ignore in learning how to think like a macroeconomist. 197) \_\_\_\_\_  
Answer: ☐ True ☒ False  
Explanation:
- 198) Households are sellers in input markets. 198) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 199) When the total value of products/services produced is growing, unemployment falls. 199) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:
- 200) The Conservative Party of Canada (on the political right) believes that government failure is worse than market failure. 200) \_\_\_\_\_  
Answer: ☒ True ☐ False  
Explanation:



Answer Key  
Testname: C1

- 1) B
- 2) D
- 3) B
- 4) E
- 5) A
- 6) C
- 7) B
- 8) C
- 9) E
- 10) A
- 11) B
- 12) E
- 13) A
- 14) A
- 15) D
- 16) D
- 17) B
- 18) D
- 19) B
- 20) A
- 21) B
- 22) B
- 23) B
- 24) C
- 25) D
- 26) C
- 27) E
- 28) D
- 29) A
- 30) B
- 31) C
- 32) D
- 33) C
- 34) C
- 35) B
- 36) E
- 37) C
- 38) D
- 39) B
- 40) D
- 41) E
- 42) E
- 43) B
- 44) C
- 45) E
- 46) A
- 47) C
- 48) C
- 49) E
- 50) E

Answer Key  
Testname: C1

- 51) A
- 52) D
- 53) D
- 54) A
- 55) D
- 56) D
- 57) B
- 58) D
- 59) D
- 60) B
- 61) E
- 62) D
- 63) B
- 64) B
- 65) A
- 66) A
- 67) E
- 68) A
- 69) C
- 70) C
- 71) D
- 72) E
- 73) A
- 74) D
- 75) E
- 76) D
- 77) D
- 78) B
- 79) E
- 80) B
- 81) B
- 82) C
- 83) D
- 84) B
- 85) E
- 86) C
- 87) C
- 88) D
- 89) TRUE
- 90) TRUE
- 91) FALSE
- 92) FALSE
- 93) TRUE
- 94) FALSE
- 95) TRUE
- 96) TRUE
- 97) FALSE
- 98) TRUE
- 99) FALSE
- 100) TRUE

Answer Key  
Testname: C1

- 101) FALSE
- 102) TRUE
- 103) FALSE
- 104) TRUE
- 105) FALSE
- 106) TRUE
- 107) FALSE
- 108) TRUE
- 109) FALSE
- 110) TRUE
- 111) FALSE
- 112) FALSE
- 113) FALSE
- 114) FALSE
- 115) FALSE
- 116) TRUE
- 117) TRUE
- 118) FALSE
- 119) FALSE
- 120) TRUE
- 121) FALSE
- 122) TRUE
- 123) TRUE
- 124) FALSE
- 125) TRUE
- 126) FALSE
- 127) FALSE
- 128) TRUE
- 129) FALSE
- 130) TRUE
- 131) TRUE
- 132) FALSE
- 133) TRUE
- 134) TRUE
- 135) FALSE
- 136) TRUE
- 137) FALSE
- 138) FALSE
- 139) FALSE
- 140) TRUE
- 141) FALSE
- 142) TRUE
- 143) FALSE
- 144) TRUE
- 145) TRUE
- 146) FALSE
- 147) TRUE
- 148) TRUE
- 149) TRUE
- 150) TRUE

Answer Key

Testname: C1

- 151) FALSE
- 152) TRUE
- 153) FALSE
- 154) TRUE
- 155) TRUE
- 156) FALSE
- 157) TRUE
- 158) TRUE
- 159) TRUE
- 160) TRUE
- 161) FALSE
- 162) TRUE
- 163) FALSE
- 164) FALSE
- 165) FALSE
- 166) TRUE
- 167) TRUE
- 168) FALSE
- 169) TRUE
- 170) TRUE
- 171) FALSE
- 172) TRUE
- 173) TRUE
- 174) TRUE
- 175) TRUE
- 176) TRUE
- 177) FALSE
- 178) FALSE
- 179) TRUE
- 180) FALSE
- 181) FALSE
- 182) FALSE
- 183) FALSE
- 184) FALSE
- 185) FALSE
- 186) TRUE
- 187) FALSE
- 188) FALSE
- 189) TRUE
- 190) FALSE
- 191) TRUE
- 192) TRUE
- 193) FALSE
- 194) FALSE
- 195) TRUE
- 196) FALSE
- 197) FALSE
- 198) TRUE
- 199) TRUE
- 200) TRUE