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Grade 12 Economics Unit-5

1. If Ethiopia's nominal GDP increases from 1,500 billion Birr to 1,800 billion Birr over two years, inflation averages 8% annually, and population growth is 2.5% per year, how does this affect real GDP per capita, and what macroeconomic policy might stabilize living standards?
   A. Real GDP per capita rises, fiscal expansion
   B. Real GDP per capita falls, monetary tightening
   C. Real GDP per capita stagnates, tax increases
   D. Real GDP per capita rises, export subsidies
2. In an economy where the marginal propensity to consume is 0.75 and government spending increases by 120 billion Birr, but imports rise by 30 billion Birr due to higher demand, what is the net change in equilibrium output, and how does this affect the trade balance?
   A. 360 billion Birr, trade deficit worsens
   B. 330 billion Birr, trade surplus increases
   C. 400 billion Birr, trade balance unchanged
   D. 300 billion Birr, trade deficit narrows
3. If a factory in Ethiopia emits pollutants that reduce downstream agricultural yields by 50 million Birr annually, and a Pigovian tax of 20 Birr per unit of output is imposed, raising 60 million Birr in revenue, what is the net social welfare gain or loss, assuming production remains constant?
   A. 10 million Birr gain
   B. 10 million Birr loss
   C. 20 million Birr gain
   D. Zero net change
4. Suppose Ethiopia's central bank sells 200 billion Birr in government bonds to contract the money supply, but commercial banks hold excess reserves equal to 10% of the sale value. How does this affect the money supply and

AD-AS equilibrium, considering a money multiplier of 5?
A. Money supply falls by 900 billion Birr, AD shifts left
B. Money supply falls by 1,000 billion Birr, AD shifts right
C. Money supply falls by 980 billion Birr, SRAS shifts left
D. Money supply falls by 800 billion Birr, AD unchanged

5. If Ethiopia's VAT rate rises from 15% to 18%, and consumer spending on taxed goods drops by 5% due to price elasticity of demand of 0.8, how does this impact tax revenue and aggregate demand, assuming initial revenue was 300 billion Birr?
A. Revenue rises to 324 billion Birr, AD shifts right
B. Revenue falls to 285 billion Birr, AD shifts left
C. Revenue rises to 310.5 billion Birr, AD shifts left
D. Revenue falls to 290 billion Birr, AD unchanged
6. In a recession with unemployment at 12%, if the government increases spending by 150 billion Birr and the central bank lowers interest rates, causing investment to rise by 50 billion Birr, what is the combined effect on output if the multiplier is 2 and prices remain sticky?
A. Output rises by 400 billion Birr
B. Output rises by 300 billion Birr
C. Output rises by 500 billion Birr
D. Output rises by 350 billion Birr
7. If Ethiopia experiences hyperinflation at 60% per month and the government imposes price controls on basic goods, reducing inflation to 40% but causing shortages, how does this affect real GDP measurement and consumer welfare?
A. Real GDP overstated, welfare rises
B. Real GDP understated, welfare falls
C. Real GDP accurate, welfare unchanged
D. Real GDP overstated, welfare falls
8. Suppose a drought shifts Ethiopia's SRAS curve leftward, raising prices by 15% and reducing output by 100 billion Birr. If the government responds with a tax cut of 50 billion Birr and the multiplier is 1.5, what is the net effect on equilibrium output and price level?
A. Output rises by 75 billion Birr, prices fall
B. Output falls by 25 billion Birr, prices rise
C. Output rises by 25 billion Birr, prices rise further
D. Output unchanged, prices stabilize

9. In a market where farmers unknowingly sell contaminated crops due to pesticide overuse, causing health costs of 30 million Birr annually, how might consumer protection laws and a Pigovian tax jointly address this market failure, and what is the impact on agricultural output?
   A. Laws reduce information gaps, tax cuts output
   B. Laws increase demand, tax raises output
   C. Laws stabilize prices, tax has no effect
   D. Laws raise costs, tax increases supply
10. If Ethiopia's trade deficit widens by 80 billion Birr due to rising import prices and the central bank devalues the Birr by 25%, how does this affect net exports and AD, assuming export demand elasticity is 1.2 and import demand elasticity is 0.8?
   A. Net exports rise, AD shifts right
   B. Net exports fall, AD shifts left
   C. Net exports unchanged, AD shifts right
   D. Net exports rise, AD shifts left
11. If nominal GDP grows by 18% and the CPI rises from 120 to 141.6 over a year, while population increases by 3%, what challenges arise in assessing real GDP per capita growth, and how might structural unemployment complicate this?
   A. Inflation overestimation, structural unemployment masks growth
   B. Population underestimation, structural unemployment reduces output
   C. Deflation adjustment, structural unemployment stabilizes GDP
   D. Data inconsistency, structural unemployment irrelevant
12. Suppose Ethiopia introduces a progressive income tax with rates rising from 10% to 35% as income doubles from 50,000 Birr to 100,000 Birr per year. How does this affect tax revenue and income inequality if 20% of taxpayers evade taxes?
   A. Revenue rises, inequality increases
   B. Revenue falls, inequality decreases
   C. Revenue rises, inequality decreases
   D. Revenue unchanged, inequality rises
13. In an economy at full employment, if the government increases spending by 200 billion Birr financed by borrowing, causing interest rates to rise by 2%, how does this crowding-out effect alter the AD-AS equilibrium and long-run output?
   A. AD shifts right, LRAS shifts left

B. AD shifts right, output unchanged in long run
C. AD shifts left, prices fall
D. AD unchanged, LRAS shifts right

14. If a common resource like a grazing land in Ethiopia is overexploited, reducing herd sizes by 20% and costing 40 million Birr in lost income, how might a tax on livestock and a subsidy for alternative crops address this, and what is the impact on GDP?
A. Tax reduces overuse, subsidy boosts GDP
B. Tax increases costs, subsidy reduces GDP
C. Tax stabilizes herds, subsidy has no effect
D. Tax cuts output, subsidy raises prices
15. If Ethiopia's central bank raises the discount rate from 5% to 7% and reserve requirements from 10% to 12%, reducing the money supply by 150 billion Birr, how does this affect investment and unemployment in the short run, assuming sticky wages?
A. Investment falls, unemployment rises
B. Investment rises, unemployment falls
C. Investment unchanged, unemployment rises
D. Investment falls, unemployment unchanged
16. Suppose Ethiopia's nominal GDP is 2,000 billion Birr, inflation is 10%, and real GDP growth is 3%. If the government imposes a 5% income tax to reduce a budget deficit, how does this affect disposable income, AD, and inflation pressures?
A. Disposable income falls, AD shifts left, inflation eases
B. Disposable income rises, AD shifts right, inflation rises
C. Disposable income falls, AD shifts right, inflation stabilizes
D. Disposable income unchanged, AD shifts left, inflation rises
17. In a market where a firm's production generates a positive externality worth 25 million Birr annually but is underproduced due to private costs, how might a subsidy of 10 Birr per unit and a tax cut affect output and social welfare?
A. Output rises, welfare increases
B. Output falls, welfare decreases
C. Output rises, welfare unchanged
D. Output unchanged, welfare falls
18. If Ethiopia's multiplier is 2.5 and a drought reduces agricultural output by 80 billion Birr, shifting SRAS leftward, how does a simultaneous

government spending increase of 50 billion Birr affect equilibrium output and the trade deficit?

A. Output falls by 30 billion Birr, deficit widens
B. Output rises by 45 billion Birr, deficit narrows
C. Output falls by 55 billion Birr, deficit unchanged
D. Output rises by 125 billion Birr, deficit widens

19. If the CPI in Ethiopia rises from 130 to 149.5 over a year and nominal wages increase by 10%, how does this affect real wages, consumer purchasing power, and the unemployment rate, assuming cyclical unemployment dominates?

A. Real wages fall, purchasing power drops, unemployment rises
B. Real wages rise, purchasing power increases, unemployment falls
C. Real wages fall, purchasing power rises, unemployment unchanged
D. Real wages unchanged, purchasing power falls, unemployment rises

20. Suppose Ethiopia imposes a 20% excise tax on imported luxury goods, raising 60 billion Birr but reducing imports by 40 billion Birr. How does this affect the trade balance, AD, and tax equity, given a regressive tax burden?

A. Trade balance improves, AD shifts left, equity worsens
B. Trade balance worsens, AD shifts right, equity improves
C. Trade balance improves, AD shifts right, equity worsens
D. Trade balance unchanged, AD shifts left, equity improves

21. If Ethiopia's central bank devalues the Birr by 15% and export volumes rise by 20% while import prices increase by 10%, how does this affect net exports, inflation, and the AD-AS equilibrium, assuming elastic demand?

A. Net exports rise, inflation increases, AD shifts right
B. Net exports fall, inflation decreases, AD shifts left
C. Net exports rise, inflation stabilizes, AD shifts left
D. Net exports unchanged, inflation rises, AD shifts right

22. In an economy with a Gini coefficient of 0.4, if a progressive tax raises 100 billion Birr and reduces the coefficient to 0.38, but tax evasion cuts revenue by 20%, how does this affect income inequality and fiscal policy effectiveness?

A. Inequality falls, policy effectiveness rises
B. Inequality rises, policy effectiveness falls
C. Inequality falls, policy effectiveness falls
D. Inequality unchanged, policy effectiveness rises

23. If Ethiopia's nominal GDP grows by 12%, real GDP by 5%, and population by 2%, while structural unemployment persists at 8%, what challenges arise in using GDP per capita as a welfare indicator, and how might fiscal policy address this?
    A. Masks inequality, tax cuts needed
    B. Overstates welfare, spending increases needed
    C. Understates growth, monetary easing needed
    D. Ignores unemployment, trade policy needed
24. Suppose a negative supply shock shifts SRAS leftward, raising prices by 10% and reducing output by 70 billion Birr. If the government responds with a 40 billion Birr spending increase and the central bank sells bonds worth 20 billion Birr, what is the net effect on output and inflation?
    A. Output rises by 30 billion Birr, inflation falls
    B. Output falls by 10 billion Birr, inflation rises
    C. Output rises by 80 billion Birr, inflation stabilizes
    D. Output falls by 50 billion Birr, inflation falls
25. If Ethiopia introduces a carbon tax of 15 Birr per ton, raising 50 billion Birr and reducing emissions by 20%, how does this affect SRAS, GDP, and tax equity, given heavy reliance on low-income energy users?
    A. SRAS shifts left, GDP falls, equity worsens
    B. SRAS shifts right, GDP rises, equity improves
    C. SRAS shifts left, GDP rises, equity stabilizes
    D. SRAS unchanged, GDP falls, equity improves
26. In a recession, if Ethiopia's unemployment rate rises from 5% to 8% and the government cuts taxes by 60 billion Birr with a multiplier of 2, how does this affect AD, output, and the budget deficit, assuming no change in spending?
    A. AD shifts right, output rises by 120 billion Birr, deficit widens
    B. AD shifts left, output falls by 60 billion Birr, deficit narrows
    C. AD shifts right, output rises by 60 billion Birr, deficit unchanged
    D. AD shifts left, output rises by 120 billion Birr, deficit widens
27. If a firm's production generates a negative externality costing 80 million Birr annually and a Pigovian tax raises 100 million Birr, how does this affect social welfare, private profits, and government revenue, assuming output drops by 10%?
    A. Welfare rises, profits fall, revenue increases
    B. Welfare falls, profits rise, revenue decreases

C. Welfare rises, profits rise, revenue falls
D. Welfare unchanged, profits fall, revenue rises

28. Suppose Ethiopia's money supply grows by 15%, nominal GDP by 20%, and velocity of money remains constant. How does this affect inflation and real GDP growth, and what Monetarist policy might stabilize prices?
A. Inflation 5%, real GDP 15%, reduce money supply
B. Inflation 15%, real GDP 5%, increase interest rates
C. Inflation 10%, real GDP 10%, sell bonds
D. Inflation 5%, real GDP 5%, devalue currency

29. If Ethiopia's VAT revenue is 400 billion Birr and a 2% rate increase reduces consumption by 3% due to elasticity of 1.5, how does this affect tax revenue, AD, and inflation, assuming sticky prices?
A. Revenue falls to 388 billion Birr, AD shifts left, inflation eases
B. Revenue rises to 416 billion Birr, AD shifts right, inflation rises
C. Revenue falls to 376 billion Birr, AD shifts right, inflation stabilizes
D. Revenue rises to 408 billion Birr, AD shifts left, inflation falls

30. In an economy with a trade deficit of 50 billion Birr, if the central bank devalues the currency by 30% and exports rise by 40 billion Birr while imports fall by 20 billion Birr, how does this affect net exports, AD, and the unemployment rate?
A. Net exports rise by 60 billion Birr, AD shifts right, unemployment falls
B. Net exports fall by 10 billion Birr, AD shifts left, unemployment rises
C. Net exports rise by 10 billion Birr, AD shifts right, unemployment rises
D. Net exports unchanged, AD shifts left, unemployment falls

31. If Ethiopia's nominal GDP is 1,800 billion Birr, inflation is 12%, and real GDP grows by 4%, while the government imposes a 10% income tax on high earners, how does this affect disposable income, AD, and income inequality?
A. Disposable income falls, AD shifts left, inequality decreases
B. Disposable income rises, AD shifts right, inequality increases
C. Disposable income falls, AD shifts right, inequality increases
D. Disposable income unchanged, AD shifts left, inequality decreases

32. Suppose a positive externality from education increases social welfare by 70 million Birr annually, but private investment is 20 million Birr short of the optimal level. How might a subsidy of 15 million Birr and a tax cut of 10 million Birr affect output and welfare?
A. Output rises, welfare increases by 65 million Birr

B. Output falls, welfare decreases by 25 million Birr
C. Output rises, welfare increases by 25 million Birr
D. Output unchanged, welfare decreases by 10 million Birr

33. If Ethiopia's SRAS shifts leftward due to a 20% rise in input costs, reducing output by 90 billion Birr, and the government increases spending by 60 billion Birr with a multiplier of 1.8, what is the net effect on output and prices in the short run?
A. Output falls by 18 billion Birr, prices rise
B. Output rises by 18 billion Birr, prices fall
C. Output falls by 36 billion Birr, prices stabilize
D. Output rises by 108 billion Birr, prices rise
34. In a market where counterfeit goods cost consumers 50 million Birr annually due to asymmetric information, how might consumer protection laws and a 10% sales tax affect market efficiency, revenue, and welfare?
A. Efficiency rises, revenue increases, welfare improves
B. Efficiency falls, revenue decreases, welfare worsens
C. Efficiency rises, revenue increases, welfare worsens
D. Efficiency falls, revenue increases, welfare improves
35. If Ethiopia's unemployment rate is 10%, labor force is 60 million, and cyclical unemployment accounts for 40% of the total, how does an expansionary monetary policy reducing unemployment by 2% affect output and inflation, assuming a flat SRAS?
A. Output rises, inflation unchanged
B. Output falls, inflation rises
C. Output rises, inflation rises
D. Output unchanged, inflation falls
36. Suppose Ethiopia's government borrows 300 billion Birr to finance infrastructure, raising interest rates by 3%, and the central bank buys bonds worth 100 billion Birr. How does this affect investment, AD, and the budget deficit?
A. Investment falls, AD shifts right, deficit widens
B. Investment rises, AD shifts left, deficit narrows
C. Investment falls, AD shifts left, deficit unchanged
D. Investment rises, AD shifts right, deficit widens
37. If Ethiopia's Gini coefficient is 0.45 and a regressive tax raises 80 billion Birr, increasing the coefficient to 0.47, how does this affect income

distribution and fiscal policy goals, given tax evasion of 15%?
A. Distribution worsens, goals undermined
B. Distribution improves, goals achieved
C. Distribution worsens, goals achieved
D. Distribution unchanged, goals undermined

38. In an economy where the money supply grows by 10%, nominal GDP by 15%, and real GDP by 4%, how does this affect inflation and unemployment, and what Keynesian policy might address the gap?
A. Inflation 11%, unemployment rises, fiscal expansion
B. Inflation 6%, unemployment falls, monetary tightening
C. Inflation 11%, unemployment falls, tax increases
D. Inflation 6%, unemployment rises, spending cuts

39. If Ethiopia imposes a 25% tariff on imports, raising 120 billion Birr but reducing import volumes by 30 billion Birr, how does this affect the trade balance, AD, and inflation, assuming export demand is inelastic?
A. Trade balance improves, AD shifts right, inflation rises
B. Trade balance worsens, AD shifts left, inflation falls
C. Trade balance improves, AD shifts left, inflation rises
D. Trade balance unchanged, AD shifts right, inflation falls

40. Suppose a negative externality from industrial waste costs Ethiopia 90 million Birr annually, and a Pigovian tax raises 110 million Birr, reducing output by 15%. How does this affect SRAS, GDP, and social welfare?
A. SRAS shifts left, GDP falls, welfare rises
B. SRAS shifts right, GDP rises, welfare falls
C. SRAS shifts left, GDP rises, welfare falls
D. SRAS unchanged, GDP falls, welfare rises

41. If Ethiopia's nominal GDP grows by 14%, real GDP by 6%, and population by 2%, while disguised unemployment in agriculture persists, how does this affect GDP per capita and policy priorities?
A. GDP per capita rises, focus on structural reform
B. GDP per capita falls, focus on monetary easing
C. GDP per capita rises, focus on fiscal contraction
D. GDP per capita unchanged, focus on trade policy

42. In a recession, if Ethiopia cuts taxes by 70 billion Birr and the central bank increases the money supply by 50 billion Birr, how does this affect AD, output, and inflation, assuming a multiplier of 2 and sticky prices?
A. AD shifts right, output rises by 190 billion Birr, inflation rises

B. AD shifts left, output falls by 120 billion Birr, inflation falls
C. AD shifts right, output rises by 140 billion Birr, inflation unchanged
D. AD shifts left, output rises by 190 billion Birr, inflation rises

43. If Ethiopia's VAT raises 350 billion Birr and a 3% rate hike increases revenue by 10 billion Birr but reduces consumption by 15 billion Birr, how does this affect tax equity, AD, and the budget deficit?
A. Equity worsens, AD shifts left, deficit narrows
B. Equity improves, AD shifts right, deficit widens
C. Equity worsens, AD shifts right, deficit narrows
D. Equity improves, AD shifts left, deficit widens
44. Suppose Ethiopia's SRAS shifts leftward due to a 25% rise in oil prices, reducing output by 120 billion Birr. If the government responds with a 60 billion Birr spending increase and the central bank raises interest rates, what is the net effect on output and prices?
A. Output falls by 60 billion Birr, prices rise further
B. Output rises by 30 billion Birr, prices fall
C. Output falls by 90 billion Birr, prices stabilize
D. Output rises by 60 billion Birr, prices rise
45. If Ethiopia's trade deficit is 100 billion Birr and a 20% devaluation increases exports by 50 billion Birr and reduces imports by 30 billion Birr, how does this affect net exports, AD, and inflation, assuming elastic demand?
A. Net exports rise by 80 billion Birr, AD shifts right, inflation rises
B. Net exports fall by 20 billion Birr, AD shifts left, inflation falls
C. Net exports rise by 20 billion Birr, AD shifts right, inflation falls
D. Net exports unchanged, AD shifts left, inflation rises
46. In a market where a positive externality from beekeeping adds 40 million Birr to crop yields annually, but private investment is 15 million Birr below optimal, how might a subsidy of 20 million Birr and a tax cut of 5 million Birr affect output and welfare?
A. Output rises, welfare increases by 45 million Birr
B. Output falls, welfare decreases by 10 million Birr
C. Output rises, welfare increases by 25 million Birr
D. Output unchanged, welfare decreases by 5 million Birr
47. If Ethiopia's unemployment rate rises from 6% to 9% during a recession and the government increases spending by 80 billion Birr with a multiplier of 2.5, how does this affect output, AD, and the unemployment

rate?

A. Output rises by 200 billion Birr, AD shifts right, unemployment falls
B. Output falls by 80 billion Birr, AD shifts left, unemployment rises
C. Output rises by 160 billion Birr, AD shifts right, unemployment rises
D. Output unchanged, AD shifts left, unemployment falls

48. Suppose Ethiopia's nominal GDP is 2,200 billion Birr, inflation is 9%, and real GDP grows by 5%. If a 15% income tax reduces disposable income by 100 billion Birr, how does this affect AD, inflation, and the budget deficit?
A. AD shifts left, inflation falls, deficit narrows
B. AD shifts right, inflation rises, deficit widens
C. AD shifts left, inflation rises, deficit widens
D. AD shifts right, inflation falls, deficit narrows
49. If Ethiopia imposes a 10% excise tax on fuel, raising 90 billion Birr but increasing production costs by 120 billion Birr, how does this affect SRAS, GDP, and tax equity, given a regressive impact?
A. SRAS shifts left, GDP falls, equity worsens
B. SRAS shifts right, GDP rises, equity improves
C. SRAS shifts left, GDP rises, equity stabilizes
D. SRAS unchanged, GDP falls, equity improves
50. In an economy where the money supply grows by 12%, nominal GDP by 18%, and real GDP by 6%, how does this affect inflation and unemployment, and what Classical policy might stabilize prices?
A. Inflation 12%, unemployment rises, wage flexibility
B. Inflation 6%, unemployment falls, market clearing
C. Inflation 12%, unemployment falls, tax cuts
D. Inflation 6%, unemployment rises, monetary tightening
51. If Ethiopia's SRAS shifts leftward due to a 30% rise in input costs, reducing output by 150 billion Birr, and the government cuts taxes by 80 billion Birr with a multiplier of 2, what is the net effect on output and prices?
A. Output rises by 10 billion Birr, prices rise
B. Output falls by 10 billion Birr, prices fall
C. Output rises by 160 billion Birr, prices stabilize
D. Output falls by 70 billion Birr, prices rise
52. Suppose a negative externality from deforestation costs Ethiopia 60 million Birr annually, and a tax raises 70 million Birr, reducing forest loss by 25%. How does this affect SRAS, GDP, and social welfare?

A. SRAS shifts left, GDP falls, welfare rises
B. SRAS shifts right, GDP rises, welfare falls
C. SRAS shifts left, GDP rises, welfare falls
D. SRAS unchanged, GDP falls, welfare rises

53. If Ethiopia's trade deficit widens by 70 billion Birr and the central bank devalues the Birr by 20%, increasing exports by 40 billion Birr and reducing imports by 20 billion Birr, how does this affect net exports, AD, and inflation?
A. Net exports rise by 60 billion Birr, AD shifts right, inflation rises
B. Net exports fall by 10 billion Birr, AD shifts left, inflation falls
C. Net exports rise by 10 billion Birr, AD shifts right, inflation falls
D. Net exports unchanged, AD shifts left, inflation rises
54. In a recession, if Ethiopia's unemployment rate rises from 7% to 10% and the government increases spending by 100 billion Birr with a multiplier of 2, how does this affect output, AD, and the unemployment rate?
A. Output rises by 200 billion Birr, AD shifts right, unemployment falls
B. Output falls by 100 billion Birr, AD shifts left, unemployment rises
C. Output rises by 150 billion Birr, AD shifts right, unemployment rises
D. Output unchanged, AD shifts left, unemployment falls
55. If Ethiopia's nominal GDP grows by 16%, real GDP by 7%, and population by 3%, while structural unemployment persists at 6%, how does this affect GDP per capita and policy priorities?
A. GDP per capita rises, focus on structural reform
B. GDP per capita falls, focus on monetary easing
C. GDP per capita rises, focus on fiscal contraction
D. GDP per capita unchanged, focus on trade policy
56. Suppose Ethiopia's VAT raises 500 billion Birr and a 4% rate hike increases revenue by 20 billion Birr but reduces consumption by 30 billion Birr. How does this affect tax equity, AD, and the budget deficit?
A. Equity worsens, AD shifts left, deficit narrows
B. Equity improves, AD shifts right, deficit widens
C. Equity worsens, AD shifts right, deficit narrows
D. Equity improves, AD shifts left, deficit widens
57. If Ethiopia imposes a 15% tariff on imports, raising 150 billion Birr but reducing import volumes by 40 billion Birr, how does this affect the trade balance, AD, and inflation, assuming export demand is inelastic?
A. Trade balance improves, AD shifts right, inflation rises

B. Trade balance worsens, AD shifts left, inflation falls
C. Trade balance improves, AD shifts left, inflation rises
D. Trade balance unchanged, AD shifts right, inflation falls

58. In a market where a positive externality from renewable energy adds 50 million Birr to economic value annually, but private investment is 20 million Birr below optimal, how might a subsidy of 25 million Birr and a tax cut of 10 million Birr affect output and welfare?
A. Output rises, welfare increases by 55 million Birr
B. Output falls, welfare decreases by 15 million Birr
C. Output rises, welfare increases by 35 million Birr
D. Output unchanged, welfare decreases by 10 million Birr

59. If Ethiopia's SRAS shifts leftward due to a 20% rise in oil prices, reducing output by 100 billion Birr, and the government increases spending by 70 billion Birr with a multiplier of 2, what is the net effect on output and prices?
A. Output rises by 40 billion Birr, prices rise
B. Output falls by 40 billion Birr, prices fall
C. Output rises by 140 billion Birr, prices stabilize
D. Output falls by 60 billion Birr, prices rise

60. Suppose Ethiopia's nominal GDP is 2,500 billion Birr, inflation is 10%, and real GDP grows by 4%. If a 20% income tax reduces disposable income by 120 billion Birr, how does this affect AD, inflation, and the budget deficit?
A. AD shifts left, inflation falls, deficit narrows
B. AD shifts right, inflation rises, deficit widens
C. AD shifts left, inflation rises, deficit widens
D. AD shifts right, inflation falls, deficit narrows

61. If Ethiopia's unemployment rate rises from 8% to 11% during a recession and the government cuts taxes by 90 billion Birr with a multiplier of 2, how does this affect output, AD, and the unemployment rate?
A. Output rises by 180 billion Birr, AD shifts right, unemployment falls
B. Output falls by 90 billion Birr, AD shifts left, unemployment rises
C. Output rises by 135 billion Birr, AD shifts right, unemployment rises
D. Output unchanged, AD shifts left, unemployment falls

62. In an economy where the money supply grows by 14%, nominal GDP by 20%, and real GDP by 5%, how does this affect inflation and unemployment, and what Monetarist policy might stabilize prices?

A. Inflation 15%, unemployment rises, reduce money supply
B. Inflation 9%, unemployment falls, increase interest rates
C. Inflation 15%, unemployment falls, sell bonds
D. Inflation 9%, unemployment rises, monetary tightening

63. If Ethiopia imposes a 12% excise tax on fuel, raising 100 billion Birr but increasing production costs by 130 billion Birr, how does this affect SRAS, GDP, and tax equity, given a regressive impact?
A. SRAS shifts left, GDP falls, equity worsens
B. SRAS shifts right, GDP rises, equity improves
C. SRAS shifts left, GDP rises, equity stabilizes
D. SRAS unchanged, GDP falls, equity improves
64. Suppose a negative externality from industrial waste costs Ethiopia 80 million Birr annually, and a Pigovian tax raises 90 million Birr, reducing output by 10%. How does this affect SRAS, GDP, and social welfare?
A. SRAS shifts left, GDP falls, welfare rises
B. SRAS shifts right, GDP rises, welfare falls
C. SRAS shifts left, GDP rises, welfare falls
D. SRAS unchanged, GDP falls, welfare rises
65. If Ethiopia's trade deficit widens by 60 billion Birr and the central bank devalues the Birr by 25%, increasing exports by 50 billion Birr and reducing imports by 30 billion Birr, how does this affect net exports, AD, and inflation?
A. Net exports rise by 80 billion Birr, AD shifts right, inflation rises
B. Net exports fall by 10 billion Birr, AD shifts left, inflation falls
C. Net exports rise by 20 billion Birr, AD shifts right, inflation falls
D. Net exports unchanged, AD shifts left, inflation rises
66. In a recession, if Ethiopia's unemployment rate rises from 5% to 8% and the government increases spending by 120 billion Birr with a multiplier of 2, how does this affect output, AD, and the unemployment rate?
A. Output rises by 240 billion Birr, AD shifts right, unemployment falls
B. Output falls by 120 billion Birr, AD shifts left, unemployment rises
C. Output rises by 180 billion Birr, AD shifts right, unemployment rises
D. Output unchanged, AD shifts left, unemployment falls
67. If Ethiopia's nominal GDP grows by 18%, real GDP by 8%, and population by 3%, while structural unemployment persists at 7%, how does this affect GDP per capita and policy priorities?
A. GDP per capita rises, focus on structural reform

B. GDP per capita falls, focus on monetary easing
C. GDP per capita rises, focus on fiscal contraction
D. GDP per capita unchanged, focus on trade policy

68. Suppose Ethiopia's VAT raises 600 billion Birr and a 5% rate hike increases revenue by 30 billion Birr but reduces consumption by 40 billion Birr. How does this affect tax equity, AD, and the budget deficit?
A. Equity worsens, AD shifts left, deficit narrows
B. Equity improves, AD shifts right, deficit widens
C. Equity worsens, AD shifts right, deficit narrows
D. Equity improves, AD shifts left, deficit widens

69. If Ethiopia imposes a 20% tariff on imports, raising 180 billion Birr but reducing import volumes by 50 billion Birr, how does this affect the trade balance, AD, and inflation, assuming export demand is inelastic?
A. Trade balance improves, AD shifts right, inflation rises
B. Trade balance worsens, AD shifts left, inflation falls
C. Trade balance improves, AD shifts left, inflation rises
D. Trade balance unchanged, AD shifts right, inflation falls

70. In a market where a positive externality from education adds 60 million Birr to economic value annually, but private investment is 25 million Birr below optimal, how might a subsidy of 30 million Birr and a tax cut of 15 million Birr affect output and welfare?
A. Output rises, welfare increases by 65 million Birr
B. Output falls, welfare decreases by 20 million Birr
C. Output rises, welfare increases by 45 million Birr
D. Output unchanged, welfare decreases by 15 million Birr

71. If Ethiopia's SRAS shifts leftward due to a 25% rise in input costs, reducing output by 130 billion Birr, and the government increases spending by 80 billion Birr with a multiplier of 2, what is the net effect on output and prices?
A. Output rises by 30 billion Birr, prices rise
B. Output falls by 30 billion Birr, prices fall
C. Output rises by 160 billion Birr, prices stabilize
D. Output falls by 50 billion Birr, prices rise

72. Suppose Ethiopia's nominal GDP is 2,800 billion Birr, inflation is 11%, and real GDP grows by 5%. If a 25% income tax reduces disposable income by 150 billion Birr, how does this affect AD, inflation, and the budget deficit?
A. AD shifts left, inflation falls, deficit narrows

B. AD shifts right, inflation rises, deficit widens
C. AD shifts left, inflation rises, deficit widens
D. AD shifts right, inflation falls, deficit narrows

73. If Ethiopia's unemployment rate rises from 9% to 12% during a recession and the government cuts taxes by 100 billion Birr with a multiplier of 2, how does this affect output, AD, and the unemployment rate?
A. Output rises by 200 billion Birr, AD shifts right, unemployment falls
B. Output falls by 100 billion Birr, AD shifts left, unemployment rises
C. Output rises by 150 billion Birr, AD shifts right, unemployment rises
D. Output unchanged, AD shifts left, unemployment falls
74. In an economy where the money supply grows by 16%, nominal GDP by 22%, and real GDP by 6%, how does this affect inflation and unemployment, and what Keynesian policy might address the gap?
A. Inflation 16%, unemployment rises, fiscal expansion
B. Inflation 10%, unemployment falls, monetary tightening
C. Inflation 16%, unemployment falls, tax increases
D. Inflation 10%, unemployment rises, spending cuts
75. If Ethiopia imposes a 15% excise tax on fuel, raising 120 billion Birr but increasing production costs by 150 billion Birr, how does this affect SRAS, GDP, and tax equity, given a regressive impact?
A. SRAS shifts left, GDP falls, equity worsens
B. SRAS shifts right, GDP rises, equity improves
C. SRAS shifts left, GDP rises, equity stabilizes
D. SRAS unchanged, GDP falls, equity improves
76. Suppose a negative externality from industrial waste costs Ethiopia 100 million Birr annually, and a Pigovian tax raises 120 million Birr, reducing output by 15%. How does this affect SRAS, GDP, and social welfare?
A. SRAS shifts left, GDP falls, welfare rises
B. SRAS shifts right, GDP rises, welfare falls
C. SRAS shifts left, GDP rises, welfare falls
D. SRAS unchanged, GDP falls, welfare rises
77. If Ethiopia's trade deficit widens by 80 billion Birr and the central bank devalues the Birr by 30%, increasing exports by 60 billion Birr and reducing imports by 40 billion Birr, how does this affect net exports, AD, and inflation?
A. Net exports rise by 100 billion Birr, AD shifts right, inflation rises
B. Net exports fall by 20 billion Birr, AD shifts left, inflation falls

C. Net exports rise by 20 billion Birr, AD shifts right, inflation falls
D. Net exports unchanged, AD shifts left, inflation rises

78. In a recession, if Ethiopia's unemployment rate rises from 6% to 9% and the government increases spending by 150 billion Birr with a multiplier of 2, how does this affect output, AD, and the unemployment rate?
A. Output rises by 300 billion Birr, AD shifts right, unemployment falls
B. Output falls by 150 billion Birr, AD shifts left, unemployment rises
C. Output rises by 225 billion Birr, AD shifts right, unemployment rises
D. Output unchanged, AD shifts left, unemployment falls

79. If Ethiopia's nominal GDP grows by 20%, real GDP by 9%, and population by 4%, while structural unemployment persists at 8%, how does this affect GDP per capita and policy priorities?
A. GDP per capita rises, focus on structural reform
B. GDP per capita falls, focus on monetary easing
C. GDP per capita rises, focus on fiscal contraction
D. GDP per capita unchanged, focus on trade policy

80. Suppose Ethiopia's VAT raises 700 billion Birr and a 6% rate hike increases revenue by 42 billion Birr but reduces consumption by 50 billion Birr. How does this affect tax equity, AD, and the budget deficit?
A. Equity worsens, AD shifts left, deficit narrows
B. Equity improves, AD shifts right, deficit widens
C. Equity worsens, AD shifts right, deficit narrows
D. Equity improves, AD shifts left, deficit widens

81. If Ethiopia imposes a 25% tariff on imports, raising 200 billion Birr but reducing import volumes by 60 billion Birr, how does this affect the trade balance, AD, and inflation, assuming export demand is inelastic?
A. Trade balance improves, AD shifts right, inflation rises
B. Trade balance worsens, AD shifts left, inflation falls
C. Trade balance improves, AD shifts left, inflation rises
D. Trade balance unchanged, AD shifts right, inflation falls

82. In a market where a positive externality from renewable energy adds 70 million Birr to economic value annually, but private investment is 30 million Birr below optimal, how might a subsidy of 35 million Birr and a tax cut of 20 million Birr affect output and welfare?
A. Output rises, welfare increases by 75 million Birr
B. Output falls, welfare decreases by 25 million Birr

C. Output rises, welfare increases by 55 million Birr
D. Output unchanged, welfare decreases by 20 million Birr

83. If Ethiopia's SRAS shifts leftward due to a 30% rise in input costs, reducing output by 150 billion Birr, and the government increases spending by 90 billion Birr with a multiplier of 2, what is the net effect on output and prices?
A. Output rises by 30 billion Birr, prices rise
B. Output falls by 30 billion Birr, prices fall
C. Output rises by 180 billion Birr, prices stabilize
D. Output falls by 60 billion Birr, prices rise

84. Suppose Ethiopia's nominal GDP is 3,000 billion Birr, inflation is 12%, and real GDP grows by 6%. If a 30% income tax reduces disposable income by 180 billion Birr, how does this affect AD, inflation, and the budget deficit?
A. AD shifts left, inflation falls, deficit narrows
B. AD shifts right, inflation rises, deficit widens
C. AD shifts left, inflation rises, deficit widens
D. AD shifts right, inflation falls, deficit narrows

85. If Ethiopia's unemployment rate rises from 10% to 13% during a recession and the government cuts taxes by 120 billion Birr with a multiplier of 2, how does this affect output, AD, and the unemployment rate?
A. Output rises by 240 billion Birr, AD shifts right, unemployment falls
B. Output falls by 120 billion Birr, AD shifts left, unemployment rises
C. Output rises by 180 billion Birr, AD shifts right, unemployment rises
D. Output unchanged, AD shifts left, unemployment falls

86. In an economy where the money supply grows by 18%, nominal GDP by 25%, and real GDP by 7%, how does this affect inflation and unemployment, and what Classical policy might stabilize prices?
A. Inflation 18%, unemployment rises, wage flexibility
B. Inflation 11%, unemployment falls, market clearing
C. Inflation 18%, unemployment falls, tax cuts
D. Inflation 11%, unemployment rises, monetary tightening

87. If Ethiopia imposes a 20% excise tax on fuel, raising 150 billion Birr but increasing production costs by 180 billion Birr, how does this affect SRAS, GDP, and tax equity, given a regressive impact?
A. SRAS shifts left, GDP falls, equity worsens
B. SRAS shifts right, GDP rises, equity improves

C. SRAS shifts left, GDP rises, equity stabilizes
D. SRAS unchanged, GDP falls, equity improves

88. Suppose a negative externality from industrial waste costs Ethiopia 120 million Birr annually, and a Pigovian tax raises 140 million Birr, reducing output by 20%. How does this affect SRAS, GDP, and social welfare?
A. SRAS shifts left, GDP falls, welfare rises
B. SRAS shifts right, GDP rises, welfare falls
C. SRAS shifts left, GDP rises, welfare falls
D. SRAS unchanged, GDP falls, welfare rises

89. If Ethiopia's trade deficit widens by 90 billion Birr and the central bank devalues the Birr by 35%, increasing exports by 70 billion Birr and reducing imports by 50 billion Birr, how does this affect net exports, AD, and inflation?
A. Net exports rise by 120 billion Birr, AD shifts right, inflation rises
B. Net exports fall by 30 billion Birr, AD shifts left, inflation falls
C. Net exports rise by 30 billion Birr, AD shifts right, inflation falls
D. Net exports unchanged, AD shifts left, inflation rises

90. In a recession, if Ethiopia's unemployment rate rises from 7% to 10% and the government increases spending by 180 billion Birr with a multiplier of 2, how does this affect output, AD, and the unemployment rate?
A. Output rises by 360 billion Birr, AD shifts right, unemployment falls
B. Output falls by 180 billion Birr, AD shifts left, unemployment rises
C. Output rises by 270 billion Birr, AD shifts right, unemployment rises
D. Output unchanged, AD shifts left, unemployment falls

91. If Ethiopia's nominal GDP grows by 22%, real GDP by 10%, and population by 5%, while structural unemployment persists at 9%, how does this affect GDP per capita and policy priorities?
A. GDP per capita rises, focus on structural reform
B. GDP per capita falls, focus on monetary easing
C. GDP per capita rises, focus on fiscal contraction
D. GDP per capita unchanged, focus on trade policy

92. Suppose Ethiopia's VAT raises 800 billion Birr and a 7% rate hike increases revenue by 56 billion Birr but reduces consumption by 70 billion Birr. How does this affect tax equity, AD, and the budget deficit?
A. Equity worsens, AD shifts left, deficit narrows
B. Equity improves, AD shifts right, deficit widens

C. Equity worsens, AD shifts right, deficit narrows
D. Equity improves, AD shifts left, deficit widens

93. If Ethiopia imposes a 30% tariff on imports, raising 250 billion Birr but reducing import volumes by 80 billion Birr, how does this affect the trade balance, AD, and inflation, assuming export demand is inelastic?
A. Trade balance improves, AD shifts right, inflation rises
B. Trade balance worsens, AD shifts left, inflation falls
C. Trade balance improves, AD shifts left, inflation rises
D. Trade balance unchanged, AD shifts right, inflation falls

94. In a market where a positive externality from education adds 80 million Birr to economic value annually, but private investment is 35 million Birr below optimal, how might a subsidy of 40 million Birr and a tax cut of 25 million Birr affect output and welfare?
A. Output rises, welfare increases by 85 million Birr
B. Output falls, welfare decreases by 30 million Birr
C. Output rises, welfare increases by 65 million Birr
D. Output unchanged, welfare decreases by 25 million Birr

95. If Ethiopia's SRAS shifts leftward due to a 35% rise in input costs, reducing output by 180 billion Birr, and the government increases spending by 100 billion Birr with a multiplier of 2, what is the net effect on output and prices?
A. Output rises by 20 billion Birr, prices rise
B. Output falls by 20 billion Birr, prices fall
C. Output rises by 200 billion Birr, prices stabilize
D. Output falls by 80 billion Birr, prices rise

96. Suppose Ethiopia's nominal GDP is 3,200 billion Birr, inflation is 13%, and real GDP grows by 7%. If a 35% income tax reduces disposable income by 200 billion Birr, how does this affect AD, inflation, and the budget deficit?
A. AD shifts left, inflation falls, deficit narrows
B. AD shifts right, inflation rises, deficit widens
C. AD shifts left, inflation rises, deficit widens
D. AD shifts right, inflation falls, deficit narrows

97. If Ethiopia's unemployment rate rises from 11% to 14% during a recession and the government cuts taxes by 150 billion Birr with a multiplier of 2, how does this affect output, AD, and the unemployment rate?
A. Output rises by 300 billion Birr, AD shifts right, unemployment falls

B. Output falls by 150 billion Birr, AD shifts left, unemployment rises
C. Output rises by 225 billion Birr, AD shifts right, unemployment rises
D. Output unchanged, AD shifts left, unemployment falls

98. In an economy where the money supply grows by 20%, nominal GDP by 28%, and real GDP by 8%, how does this affect inflation and unemployment, and what Monetarist policy might stabilize prices?
A. Inflation 20%, unemployment rises, reduce money supply
B. Inflation 12%, unemployment falls, increase interest rates
C. Inflation 20%, unemployment falls, sell bonds
D. Inflation 12%, unemployment rises, monetary tightening

99. If Ethiopia imposes a 25% excise tax on fuel, raising 180 billion Birr but increasing production costs by 220 billion Birr, how does this affect SRAS, GDP, and tax equity, given a regressive impact?
A. SRAS shifts left, GDP falls, equity worsens
B. SRAS shifts right, GDP rises, equity improves
C. SRAS shifts left, GDP rises, equity stabilizes
D. SRAS unchanged, GDP falls, equity improves

100. Suppose a negative externality from industrial waste costs Ethiopia 140 million Birr annually, and a Pigovian tax raises 160 million Birr, reducing output by 25%. How does this affect SRAS, GDP, and social welfare?
A. SRAS shifts left, GDP falls, welfare rises
B. SRAS shifts right, GDP rises, welfare falls
C. SRAS shifts left, GDP rises, welfare falls
D. SRAS unchanged, GDP falls, welfare rises

101. If Ethiopia's trade deficit widens by 100 billion Birr and the central bank devalues the Birr by 40%, increasing exports by 80 billion Birr and reducing imports by 60 billion Birr, how does this affect net exports, AD, and inflation?
A. Net exports rise by 140 billion Birr, AD shifts right, inflation rises
B. Net exports fall by 40 billion Birr, AD shifts left, inflation falls
C. Net exports rise by 40 billion Birr, AD shifts right, inflation falls
D. Net exports unchanged, AD shifts left, inflation rises

102. In a recession, if Ethiopia's unemployment rate rises from 8% to 11% and the government increases spending by 200 billion Birr with a multiplier of 2, how does this affect output, AD, and the unemployment rate?
A. Output rises by 400 billion Birr, AD shifts right, unemployment falls
B. Output falls by 200 billion Birr, AD shifts left, unemployment rises

C. Output rises by 300 billion Birr, AD shifts right, unemployment rises
D. Output unchanged, AD shifts left, unemployment falls

103. If Ethiopia's nominal GDP grows by 24%, real GDP by 11%, and population by 6%, while structural unemployment persists at 10%, how does this affect GDP per capita and policy priorities?
A. GDP per capita rises, focus on structural reform
B. GDP per capita falls, focus on monetary easing
C. GDP per capita rises, focus on fiscal contraction
D. GDP per capita unchanged, focus on trade policy

104. Suppose Ethiopia's VAT raises 900 billion Birr and an 8% rate hike increases revenue by 72 billion Birr but reduces consumption by 90 billion Birr. How does this affect tax equity, AD, and the budget deficit?
A. Equity worsens, AD shifts left, deficit narrows
B. Equity improves, AD shifts right, deficit widens
C. Equity worsens, AD shifts right, deficit narrows
D. Equity improves, AD shifts left, deficit widens

105. If Ethiopia imposes a 35% tariff on imports, raising 300 billion Birr but reducing import volumes by 100 billion Birr, how does this affect the trade balance, AD, and inflation, assuming export demand is inelastic?
A. Trade balance improves, AD shifts right, inflation rises
B. Trade balance worsens, AD shifts left, inflation falls
C. Trade balance improves, AD shifts left, inflation rises
D. Trade balance unchanged, AD shifts right, inflation falls

106. In a market where a positive externality from renewable energy adds 90 million Birr to economic value annually, but private investment is 40 million Birr below optimal, how might a subsidy of 45 million Birr and a tax cut of 30 million Birr affect output and welfare?
A. Output rises, welfare increases by 95 million Birr
B. Output falls, welfare decreases by 35 million Birr
C. Output rises, welfare increases by 75 million Birr
D. Output unchanged, welfare decreases by 30 million Birr

107. If Ethiopia's SRAS shifts leftward due to a 40% rise in input costs, reducing output by 200 billion Birr, and the government increases spending by 120 billion Birr with a multiplier of 2, what is the net effect on output and prices?
A. Output rises by 40 billion Birr, prices rise
B. Output falls by 40 billion Birr, prices fall

C. Output rises by 240 billion Birr, prices stabilize
D. Output falls by 80 billion Birr, prices rise

108. Suppose Ethiopia's nominal GDP is 3,500 billion Birr, inflation is 14%, and real GDP grows by 8%. If a 40% income tax reduces disposable income by 250 billion Birr, how does this affect AD, inflation, and the budget deficit?
A. AD shifts left, inflation falls, deficit narrows
B. AD shifts right, inflation rises, deficit widens
C. AD shifts left, inflation rises, deficit widens
D. AD shifts right, inflation falls, deficit narrows

109. If Ethiopia's unemployment rate rises from 12% to 15% during a recession and the government cuts taxes by 180 billion Birr with a multiplier of 2, how does this affect output, AD, and the unemployment rate?
A. Output rises by 360 billion Birr, AD shifts right, unemployment falls
B. Output falls by 180 billion Birr, AD shifts left, unemployment rises
C. Output rises by 270 billion Birr, AD shifts right, unemployment rises
D. Output unchanged, AD shifts left, unemployment falls

110. In an economy where the money supply grows by 22%, nominal GDP by 30%, and real GDP by 9%, how does this affect inflation and unemployment, and what Keynesian policy might address the gap?
A. Inflation 21%, unemployment rises, fiscal expansion
B. Inflation 13%, unemployment falls, monetary tightening
C. Inflation 21%, unemployment falls, tax increases
D. Inflation 13%, unemployment rises, spending cuts

111. If Ethiopia imposes a 30% excise tax on fuel, raising 200 billion Birr but increasing production costs by 250 billion Birr, how does this affect SRAS, GDP, and tax equity, given a regressive impact?
A. SRAS shifts left, GDP falls, equity worsens
B. SRAS shifts right, GDP rises, equity improves
C. SRAS shifts left, GDP rises, equity stabilizes
D. SRAS unchanged, GDP falls, equity improves

112. Suppose a negative externality from industrial waste costs Ethiopia 160 million Birr annually, and a Pigovian tax raises 180 million Birr, reducing output by 30%. How does this affect SRAS, GDP, and social welfare?
A. SRAS shifts left, GDP falls, welfare rises
B. SRAS shifts right, GDP rises, welfare falls

C. SRAS shifts left, GDP rises, welfare falls
D. SRAS unchanged, GDP falls, welfare rises

113. If Ethiopia's trade deficit widens by 120 billion Birr and the central bank devalues the Birr by 45%, increasing exports by 100 billion Birr and reducing imports by 80 billion Birr, how does this affect net exports, AD, and inflation?
A. Net exports rise by 180 billion Birr, AD shifts right, inflation rises
B. Net exports fall by 60 billion Birr, AD shifts left, inflation falls
C. Net exports rise by 60 billion Birr, AD shifts right, inflation falls
D. Net exports unchanged, AD shifts left, inflation rises
114. In a recession, if Ethiopia's unemployment rate rises from 9% to 12% and the government increases spending by 250 billion Birr with a multiplier of 2, how does this affect output, AD, and the unemployment rate?
A. Output rises by 500 billion Birr, AD shifts right, unemployment falls
B. Output falls by 250 billion Birr, AD shifts left, unemployment rises
C. Output rises by 375 billion Birr, AD shifts right, unemployment rises
D. Output unchanged, AD shifts left, unemployment falls
115. If Ethiopia's nominal GDP grows by 26%, real GDP by 12%, and population by 7%, while structural unemployment persists at 11%, how does this affect GDP per capita and policy priorities?
A. GDP per capita rises, focus on structural reform
B. GDP per capita falls, focus on monetary easing
C. GDP per capita rises, focus on fiscal contraction
D. GDP per capita unchanged, focus on trade policy
116. Suppose Ethiopia's VAT raises 1,000 billion Birr and a 10% rate hike increases revenue by 100 billion Birr but reduces consumption by 120 billion Birr. How does this affect tax equity, AD, and the budget deficit?
A. Equity worsens, AD shifts left, deficit narrows
B. Equity improves, AD shifts right, deficit widens
C. Equity worsens, AD shifts right, deficit narrows
D. Equity improves, AD shifts left, deficit widens
117. If Ethiopia imposes a 40% tariff on imports, raising 350 billion Birr but reducing import volumes by 120 billion Birr, how does this affect the trade balance, AD, and inflation, assuming export demand is inelastic?
A. Trade balance improves, AD shifts right, inflation rises
B. Trade balance worsens, AD shifts left, inflation falls

C. Trade balance improves, AD shifts left, inflation rises
D. Trade balance unchanged, AD shifts right, inflation falls

118. In a market where a positive externality from education adds 100 million Birr to economic value annually, but private investment is 50 million Birr below optimal, how might a subsidy of 60 million Birr and a tax cut of 40 million Birr affect output and welfare?
A. Output rises, welfare increases by 110 million Birr
B. Output falls, welfare decreases by 40 million Birr
C. Output rises, welfare increases by 90 million Birr
D. Output unchanged, welfare decreases by 35 million Birr

119. If Ethiopia's SRAS shifts leftward due to a 45% rise in input costs, reducing output by 250 billion Birr, and the government increases spending by 150 billion Birr with a multiplier of 2, what is the net effect on output and prices?
A. Output rises by 50 billion Birr, prices rise
B. Output falls by 50 billion Birr, prices fall
C. Output rises by 300 billion Birr, prices stabilize
D. Output falls by 100 billion Birr, prices rise

120. Suppose Ethiopia's nominal GDP is 4,000 billion Birr, inflation is 15%, and real GDP grows by 9%. If a 45% income tax reduces disposable income by 300 billion Birr, how does this affect AD, inflation, and the budget deficit?
A. AD shifts left, inflation falls, deficit narrows
B. AD shifts right, inflation rises, deficit widens
C. AD shifts left, inflation rises, deficit widens
D. AD shifts right, inflation falls, deficit narrows

121. If Ethiopia's unemployment rate rises from 13% to 16% during a recession and the government cuts taxes by 200 billion Birr with a multiplier of 2, how does this affect output, AD, and the unemployment rate?
A. Output rises by 400 billion Birr, AD shifts right, unemployment falls
B. Output falls by 200 billion Birr, AD shifts left, unemployment rises
C. Output rises by 300 billion Birr, AD shifts right, unemployment rises
D. Output unchanged, AD shifts left, unemployment falls

122. In an economy where the money supply grows by 25%, nominal GDP by 35%, and real GDP by 10%, how does this affect inflation and unemployment, and what Classical policy might stabilize prices?

A. Inflation 25%, unemployment rises, wage flexibility
B. Inflation 15%, unemployment falls, market clearing
C. Inflation 25%, unemployment falls, tax cuts
D. Inflation 15%, unemployment rises, monetary tightening

123. If Ethiopia imposes a 35% excise tax on fuel, raising 250 billion Birr but increasing production costs by 300 billion Birr, how does this affect SRAS, GDP, and tax equity, given a regressive impact?
A. SRAS shifts left, GDP falls, equity worsens
B. SRAS shifts right, GDP rises, equity improves
C. SRAS shifts left, GDP rises, equity stabilizes
D. SRAS unchanged, GDP falls, equity improves

124. Suppose a negative externality from industrial waste costs Ethiopia 180 million Birr annually, and a Pigovian tax raises 200 million Birr, reducing output by 35%. How does this affect SRAS, GDP, and social welfare?
A. SRAS shifts left, GDP falls, welfare rises
B. SRAS shifts right, GDP rises, welfare falls
C. SRAS shifts left, GDP rises, welfare falls
D. SRAS unchanged, GDP falls, welfare rises

125. If Ethiopia's trade deficit widens by 150 billion Birr and the central bank devalues the Birr by 50%, increasing exports by 120 billion Birr and reducing imports by 100 billion Birr, how does this affect net exports, AD, and inflation?
A. Net exports rise by 220 billion Birr, AD shifts right, inflation rises
B. Net exports fall by 80 billion Birr, AD shifts left, inflation falls
C. Net exports rise by 80 billion Birr, AD shifts right, inflation falls
D. Net exports unchanged, AD shifts left, inflation rises

126. In a recession, if Ethiopia's unemployment rate rises from 10% to 13% and the government increases spending by 300 billion Birr with a multiplier of 2, how does this affect output, AD, and the unemployment rate?
A. Output rises by 600 billion Birr, AD shifts right, unemployment falls
B. Output falls by 300 billion Birr, AD shifts left, unemployment rises
C. Output rises by 450 billion Birr, AD shifts right, unemployment rises
D. Output unchanged, AD shifts left, unemployment falls

127. If Ethiopia's nominal GDP grows by 28%, real GDP by 13%, and population by 8%, while structural unemployment persists at 12%, how does this affect GDP per capita and policy priorities?

A. GDP per capita rises, focus on structural reform
B. GDP per capita falls, focus on monetary easing
C. GDP per capita rises, focus on fiscal contraction
D. GDP per capita unchanged, focus on trade policy

128. Suppose Ethiopia's VAT raises 1,200 billion Birr and a 12% rate hike increases revenue by 144 billion Birr but reduces consumption by 180 billion Birr. How does this affect tax equity, AD, and the budget deficit?
A. Equity worsens, AD shifts left, deficit narrows
B. Equity improves, AD shifts right, deficit widens
C. Equity worsens, AD shifts right, deficit narrows
D. Equity improves, AD shifts left, deficit widens

129. If Ethiopia imposes a 45% tariff on imports, raising 400 billion Birr but reducing import volumes by 150 billion Birr, how does this affect the trade balance, AD, and inflation, assuming export demand is inelastic?
A. Trade balance improves, AD shifts right, inflation rises
B. Trade balance worsens, AD shifts left, inflation falls
C. Trade balance improves, AD shifts left, inflation rises
D. Trade balance unchanged, AD shifts right, inflation falls

130. In a market where a positive externality from renewable energy adds 120 million Birr to economic value annually, but private investment is 60 million Birr below optimal, how might a subsidy of 70 million Birr and a tax cut of 50 million Birr affect output and welfare?
A. Output rises, welfare increases by 130 million Birr
B. Output falls, welfare decreases by 50 million Birr
C. Output rises, welfare increases by 110 million Birr
D. Output unchanged, welfare decreases by 40 million Birr

131. If Ethiopia's SRAS shifts leftward due to a 50% rise in input costs, reducing output by 300 billion Birr, and the government increases spending by 180 billion Birr with a multiplier of 2, what is the net effect on output and prices?
A. Output rises by 60 billion Birr, prices rise
B. Output falls by 60 billion Birr, prices fall
C. Output rises by 360 billion Birr, prices stabilize
D. Output falls by 120 billion Birr, prices rise

132. Suppose Ethiopia's nominal GDP is 4,500 billion Birr, inflation is 16%, and real GDP grows by 10%. If a 50% income tax reduces disposable income by 350 billion Birr, how does this affect AD, inflation, and the

budget deficit?
A. AD shifts left, inflation falls, deficit narrows
B. AD shifts right, inflation rises, deficit widens
C. AD shifts left, inflation rises, deficit widens
D. AD shifts right, inflation falls, deficit narrows

133. If Ethiopia's unemployment rate rises from 14% to 17% during a recession and the government cuts taxes by 250 billion Birr with a multiplier of 2, how does this affect output, AD, and the unemployment rate?
A. Output rises by 500 billion Birr, AD shifts right, unemployment falls
B. Output falls by 250 billion Birr, AD shifts left, unemployment rises
C. Output rises by 375 billion Birr, AD shifts right, unemployment rises
D. Output unchanged, AD shifts left, unemployment falls

134. In an economy where the money supply grows by 28%, nominal GDP by 40%, and real GDP by 11%, how does this affect inflation and unemployment, and what Monetarist policy might stabilize prices?
A. Inflation 29%, unemployment rises, reduce money supply
B. Inflation 17%, unemployment falls, increase interest rates
C. Inflation 29%, unemployment falls, sell bonds
D. Inflation 17%, unemployment rises, monetary tightening

135. If Ethiopia imposes a 40% excise tax on fuel, raising 300 billion Birr but increasing production costs by 360 billion Birr, how does this affect SRAS, GDP, and tax equity, given a regressive impact?
A. SRAS shifts left, GDP falls, equity worsens
B. SRAS shifts right, GDP rises, equity improves
C. SRAS shifts left, GDP rises, equity stabilizes
D. SRAS unchanged, GDP falls, equity improves

136. Suppose a negative externality from industrial waste costs Ethiopia 200 million Birr annually, and a Pigovian tax raises 220 million Birr, reducing output by 40%. How does this affect SRAS, GDP, and social welfare?
A. SRAS shifts left, GDP falls, welfare rises
B. SRAS shifts right, GDP rises, welfare falls
C. SRAS shifts left, GDP rises, welfare falls
D. SRAS unchanged, GDP falls, welfare rises

137. If Ethiopia's trade deficit widens by 180 billion Birr and the central bank devalues the Birr by 55%, increasing exports by 150 billion Birr and reducing imports by 120 billion Birr, how does this affect net exports,

AD, and inflation?

A. Net exports rise by 270 billion Birr, AD shifts right, inflation rises
B. Net exports fall by 90 billion Birr, AD shifts left, inflation falls
C. Net exports rise by 90 billion Birr, AD shifts right, inflation falls
D. Net exports unchanged, AD shifts left, inflation rises

138. In a recession, if Ethiopia's unemployment rate rises from 11% to 14% and the government increases spending by 350 billion Birr with a multiplier of 2, how does this affect output, AD, and the unemployment rate?

A. Output rises by 700 billion Birr, AD shifts right, unemployment falls
B. Output falls by 350 billion Birr, AD shifts left, unemployment rises
C. Output rises by 525 billion Birr, AD shifts right, unemployment rises
D. Output unchanged, AD shifts left, unemployment falls

139. If Ethiopia's nominal GDP grows by 30%, real GDP by 14%, and population by 9%, while structural unemployment persists at 13%, how does this affect GDP per capita and policy priorities?

A. GDP per capita rises, focus on structural reform
B. GDP per capita falls, focus on monetary easing
C. GDP per capita rises, focus on fiscal contraction
D. GDP per capita unchanged, focus on trade policy

140. Suppose Ethiopia's VAT raises 1,500 billion Birr and a 15% rate hike increases revenue by 225 billion Birr but reduces consumption by 300 billion Birr. How does this affect tax equity, AD, and the budget deficit?

A. Equity worsens, AD shifts left, deficit narrows
B. Equity improves, AD shifts right, deficit widens
C. Equity worsens, AD shifts right, deficit narrows
D. Equity improves, AD shifts left, deficit widens

141. If Ethiopia imposes a 50% tariff on imports, raising 500 billion Birr but reducing import volumes by 200 billion Birr, how does this affect the trade balance, AD, and inflation, assuming export demand is inelastic?

A. Trade balance improves, AD shifts right, inflation rises
B. Trade balance worsens, AD shifts left, inflation falls
C. Trade balance improves, AD shifts left, inflation rises
D. Trade balance unchanged, AD shifts right, inflation falls

142. In a market where a positive externality from education adds 150 million Birr to economic value annually, but private investment is 80 million Birr below optimal, how might a subsidy of 90 million Birr and a tax cut of 60

million Birr affect output and welfare?

A. Output rises, welfare increases by 160 million Birr
B. Output falls, welfare decreases by 70 million Birr
C. Output rises, welfare increases by 140 million Birr
D. Output unchanged, welfare decreases by 50 million Birr

143. If Ethiopia's SRAS shifts leftward due to a 55% rise in input costs, reducing output by 350 billion Birr, and the government increases spending by 200 billion Birr with a multiplier of 2, what is the net effect on output and prices?

A. Output rises by 50 billion Birr, prices rise
B. Output falls by 50 billion Birr, prices fall
C. Output rises by 400 billion Birr, prices stabilize
D. Output falls by 150 billion Birr, prices rise

144. Suppose Ethiopia's nominal GDP is 5,000 billion Birr, inflation is 17%, and real GDP grows by 11%. If a 55% income tax reduces disposable income by 400 billion Birr, how does this affect AD, inflation, and the budget deficit?

A. AD shifts left, inflation falls, deficit narrows
B. AD shifts right, inflation rises, deficit widens
C. AD shifts left, inflation rises, deficit widens
D. AD shifts right, inflation falls, deficit narrows

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Prepared By Student Habtamu Tefera