1. What is Aggregate Demand (AD)?

A. The total amount of money spent on imports and exports

B. The total amount of money spent on goods and services in an economy

C. The total amount of money spent by the government on infrastructure projects

D. The total amount of money spent by households on luxury items

2. What are the four major components of Aggregate Demand (AD)?

A. Household consumption demand, private investment demand, government demand for goods and services, net export demand

B. Household savings, government spending, business investments, trade deficits

C. Household consumption demand, government investment demand, business spending, import demand

D. Household income, government subsidies, business loans, export demand

3. Why does the Aggregate Demand (AD) curve slope downward?

A. Due to changes in interest rates

B. Due to changes in government spending

C. Due to changes in the value of monetary wealth

D. Due to changes in exchange rates

4. What is the real balance effect in relation to the Aggregate Demand (AD) curve?

A. A rise in the price level increases a person's monetary wealth

B. A rise in the price level decreases a person's monetary wealth

C. A fall in the price level decreases a person's monetary wealth

D. A fall in the price level increases a person's monetary wealth.

5. Which of the following is NOT a component of aggregate demand (AD)?

A .Household consumption demand

B. Private investment demand

C. Government demand for goods and services

D. Net export demand plus net factor income from abroad

6. What is the relationship between the price level and the quantity demanded of real GDP along the aggregate demand curve?

(A) Positive

(B) Negative

(C) Zero

(D) U-shaped

7. Which of the following is NOT a factor that explains why the aggregate demand curve slopes downward?

A. Real balance effect

B. Interest rate effect

C. Income effect

D. International trade effect

8. What is the difference between a change in the quantity demanded of real GDP and a change in aggregate demand?

A. A change in the quantity demanded of real GDP is a movement along the same demand curve, while a change in aggregate demand is a shift in the demand curve.

B. A change in aggregate demand is a movement along the same demand curve, while a change in the quantity demanded of real GDP is a shift in the demand curve.

C. There is no difference between a change in the quantity demanded of real GDP and a change in aggregate demand.

D. A change in the quantity demanded of real GDP is a shift in the supply curve, while a change in aggregate demand is a movement along the same supply curve.

9. Which of the following factors would cause a rightward shift in the aggregate demand curve?

A. A higher consumption

B. A decrease in interest rates

C. A depreciation of the exchange rate

D. All of the above

10. What does the Aggregate Demand (AD) curve show?

A. The relationship between unemployment and inflation.

B. The amount of real output desired at each price level.

C. The relationship between interest rates and investment.

D. The total government spending over time.

11. Why does the Aggregate Demand (AD) curve slope downward?

A. Due to changes in interest rates.

B. Because of the Real Balance Effect, the Interest Rate Effect, and the International Trade Effect.

C. Because of changes in consumer preferences.

D. Due to changes in government policies.

12. What is the Real Balance Effect?

A. Real GDP is directly related to the price level.

B. It describes the relationship between price level and real GDP demanded through changes in monetary wealth.

C. It explains the impact of interest rates on consumer spending.

D. It refers to changes in government spending influencing the price level.

13. How does the Interest Rate Effect influence Aggregate Demand?

A. Higher prices lead to lower interest rates.

B. It increases consumer spending.

C. It leads to tight money and decreases total real spending.

D. It has no impact on the economy.

14. What effect does the International Trade Effect have on Aggregate Demand?

A. It increases the demand for domestic goods.

B. It decreases foreign investment.

C. It influences the relationship between the price level and real GDP through foreign sector spending.

D. It has no effect on Aggregate Demand.

15. What causes a change in the quantity demanded of real GDP along the Aggregate Demand curve?

A. Changes in government spending.

B. Changes in interest rates.

C. Changes in the price level.

D. Changes in export demand.

16. What constitutes a change in Aggregate Demand?

A. Changes in the quantity demanded of real GDP due to price level changes.

B. A shift in the Aggregate Demand curve.

C. An increase in imports.

D. A decrease in government spending.

17. How does a positive change in factors affecting Aggregate Demand impact the AD curve?

A. It shifts the curve leftward.

B. It causes a rightward shift in the AD curve.

C. It has no effect on the curve.

D. It leads to a contraction of the economy.

18. What is Aggregate Demand (AD) according to the given description?

A. The total expenditure on consumption and investment

B. The total amount of money, which all sections are ready to spend on the purchase of goods and services, produced in an economy during a given period.

C. The sum of spending by consumers, businesses, and governments

D. All of the above

19. What are the major components of AD according to the text?

A. Household consumption demand (C) and private investment demand (I)

B. Government demand for goods and services (G) and net export demand (X-M)

C. Household consumption demand (C), private investment demand (I), government demand for goods and services (G), and net export demand (X-M)

D. Household consumption demand (C) and net export demand (X-M)

20. What does the aggregate demand (AD) curve represent?

A. A schedule that shows the amount of real output that buyers collectively desire to purchase at each price level ceteris paribus

B. The general price level

C. A downward sloping curve

D. All of the above

21. What is the real balance effect according to the text?

A. Changes in the value of monetary wealth

B. A higher price level leads to a decrease in spending

C. A rise in the price level causes the demand for money to increase

D. All of the above

22. What is the interest rate effect?

A. States that a higher price level increases the demand for money

B. Says that higher interest rates lead to a decline in total real spending

C. Explains how a rise in the price level with a fixed money supply leads to tight money and produces a decline in total real spending

D. All of the above

23. Which factor does NOT cause a shift in the AD curve?

A. Change in price level

B. Change in income level

C. Change in wealth of individuals

D. Change in foreign exchange policy

24. On the aggregate demand (AD) curve, a change in the quantity demanded of real GDP indicates a:

A. Shift in the AD curve

B. Movement along the same demand curve

C. Downward sloping curve

D. Ceteris paribus condition

25. Which event does not lead to an increase in the quantity demanded of real GDP according to the text?

A. A fall in the general price level

B. An increase in government spending

C. A decrease in the interest rate

D. An increase in the demand for money

26. According to the provided information, what is the relationship between a change

in any of the factors and the shift in the AD curve?

A. A positive change in any of these factors will cause the AD curve to shift leftward, while a negative change will cause the AD curve to shift rightward.

B. A negative change in any of these factors will cause the AD curve to shift rightward, while a positive change will cause the AD curve to shift leftward.

C. A positive change in any of these factors will cause the AD curve to shift rightward, while a negative change will cause the AD curve to shift leftward.

D. A negative change in any of these factors will cause the AD curve to shift leftward, while a positive change will cause the AD curve to shift rightward.

27. The Aggregate Demand curve slopes downward because:

A. As prices rise, people can afford to buy less, decreasing the quantity demanded.

B .As prices rise, businesses produce more, increasing the quantity supplied.

C. As prices fall, people save more, decreasing the quantity demanded.

D. As prices fall, businesses invest less, decreasing the quantity supplied.

28. The Real Balance Effect explains the downward slope of the AD curve by stating that:

A. Higher price levels decrease the value of money holdings, leading to less spending.

B. Higher price levels increase the value of money holdings, leading to more spending.

C. Lower price levels decrease the value of money holdings, leading to less spending.

D. Lower price levels increase the value of money holdings, leading to more spending.

29. The Interest Rate Effect explains the downward slope of the AD curve by stating that

A. Higher price levels lead to lower interest rates, encouraging borrowing and spending.

B. Higher price levels lead to higher interest rates, discouraging borrowing and spending.

C. Lower price levels lead to lower interest rates, discouraging borrowing and spending.

D. Lower price levels lead to higher interest rates, encouraging borrowing and spending.

30. The International Trade Effect explains the downward slope of the AD curve by stating that:

A. Higher domestic prices make exports more competitive, increasing AD.

B. Higher domestic prices make exports less competitive, decreasing AD.

C. Lower domestic prices make exports more competitive, decreasing AD.

D.Lower domestic prices make exports less competitive, increasing AD.

31. A movement along the AD curve is caused by:

A. A change in the price level.

B .A change in government spending.

C. A change in consumption.

D. A change in tax rates.

32. A shift in the AD curve is caused by:

A. A change in the price level.

B. A change in government spending.

C. A change in consumer confidence.

D. Both b and c.

33. Which of the following would cause a rightward shift (increase) in the AD curve?

A. A decrease in government spending.

B. An increase in taxes.

C. A decrease in consumer confidence.

D. An increase in investment spending.

34. Which of the following would cause a leftward shift (decrease) in the AD curve?

A. A decrease in interest rates.

B. An increase in net exports.

C. A decrease in the value of the domestic currency.

D. An increase in the price level of imported goods.

35. Which of the following is NOT a component of Aggregate Demand (AD)?

A. Household consumption demand

B. Government demand for goods and services

C. Net export demand

D. Savings

36. What is the relationship between the price level and aggregate demand?

A. Positive

B. Negative

C. U-shaped

D. No relationship

37. Which of the following factors does NOT affect the slope of the Aggregate Demand curve?

a. Real balance effect

b. Interest rate effect

c. Exchange rate

d. International trade effect

38. What happens to the aggregate demand curve when the price level falls?

A. It shifts to the right

B. It shifts to the left

C. It becomes steeper

D. It becomes flatter

39. Which of the following is a change in quantity demanded?

A. A movement from one point to another along the same demand curve

B. A shift in the demand curve

C. A change in the price level

D. A change in income

40. What causes a rightward shift in the Aggregate Demand curve?

A. An increase in household consumption demand

B. A decrease in government spending

C. A rise in the interest rate

D. A depreciation of the currency

41. Which of the following factors would cause a leftward shift in the Aggregate Demand curve?

A. A decrease in business investment

B. An increase in net exports

C. A fall in the price level

D. An expansionary fiscal policy

42. What is the Real Balance Effect?

A. The effect of changes in the price level on the value of monetary wealth

B. The effect of interest rates on investment spending

C. The effect of exchange rates on net exports

D. The effect of government spending on aggregate demand

43. Which of the following is NOT a reason for the inverse slope of the Aggregate Demand curve?

A. The Real Balance Effect

B. The Interest Rate Effect

C. The Fiscal Policy Effect

D. The International Trade Effect

44. What is the main difference between a change in quantity demanded and a change in aggregate demand?

A. The price level changes in one case but not the other

B. The quantity demanded changes in one case but not the other

C. the Aggregate Demand curve shifts in one case but not the other

D. All of the above

45. Which of the following factors would cause a leftward shift in the aggregate demand curve?

A. An increase in income taxes

B. An increase in business taxes

C. A decrease in government spending

D. All of the above

46. What is the effect of a depreciation of the exchange rate on net exports?

A. Net exports increase

B. Net exports decrease

C. Net exports remain unchanged

D. The effect is ambiguous

47. What is the effect of an increase in foreign real national income on net exports?

A. Net exports increase

B. Net exports decrease

C. Net exports remain unchanged

D. The effect is ambiguous

48. Which of the following is NOT a factor that affects investment?

A. Interest rate

B. Expectations about future sales

C. Business taxes

D. Government spending

49. What is the effect of a decrease in interest rates on investment?

A. Investment increases

B. Investment decreases

C. Investment remains unchanged

D. The effect is ambiguous

50. Which of the following would cause an increase in consumption (C) and thus, Aggregate Demand (AD)?

A. A decrease in income taxes.

B. An increase in interest rates.

C. A decrease in consumer confidence.

D. An increase in the price level.

51. An increase in government spending, with all else equal, would cause:

A. A leftward shift in the AD curve.

B. A rightward shift in the AD curve.

C. A movement along the AD curve.

D. No change in the AD curve.

52. If the Ethiopian Birr appreciates in value relative to other currencies, this would likely cause:

A. An increase in net exports and AD.

B. A decrease in net exports and AD.

C. An increase in imports and a decrease in AD.

D. A decrease in imports and an increase in AD.

53. An increase in foreign real national income would most likely lead to:

A. A decrease in Ethiopian exports and AD.

B. An increase in Ethiopian exports and AD.

C. A decrease in Ethiopian imports and AD.

D. An increase in Ethiopian imports and AD.

54. Which of the following is NOT a factor affecting net exports?

A. Domestic and foreign incomes.

B. The exchange rate.

C. Government spending.

D. Trade policies.

55. An increase in income tax will most likely result in:

A. An increase in consumption and a rightward shift in AD.

B. A decrease in consumption and a leftward shift in AD.

C. No change in consumption and no shift in AD.

D. An increase in investment and a rightward shift in AD.

56. A decrease in interest rates will most likely result in:

A. A decrease in investment and a leftward shift in AD.

B. An increase in investment and a rightward shift in AD.

C. A decrease in consumption and a leftward shift in AD.

D. No change in investment and no shift in AD.

57. If businesses become pessimistic about future sales, this will most likely lead to:

A. An increase in investment and a rightward shift in AD.

B. A decrease in investment and a leftward shift in AD.

C. An increase in government spending and a rightward shift in AD.

D. A decrease in net exports and a leftward shift in AD.

58. A decrease in business taxes will most likely result in:

A. A decrease in investment and a leftward shift in AD.

B. An increase in investment and a rightward shift in AD.

C. A decrease in government spending and a leftward shift in AD.

D. An increase in net exports and a rightward shift in AD.

59. An increase in government spending on infrastructure projects will most likely result in:

A .A leftward shift in the AD curve.

B. A rightward shift in the AD curve.

C. No shift in the AD curve.

D. A decrease in the price level.

60. If the Ethiopian Birr appreciates against foreign currencies, this will most likely lead to:

A. An increase in net exports and a rightward shift in AD.

B. A decrease in net exports and a leftward shift in AD.

C. An increase in imports and a rightward shift in AD.

D. A decrease in imports and a leftward shift in AD.

61. Which of the following would NOT cause a shift in the AD curve?

A. A change in the price level.

B. A change in expectations about future economic conditions.

C. A change in government tax policy.

D. A change in the exchange rate.

62. If foreign real national income increases, this will most likely lead to:

A. A decrease in Ethiopian exports and a leftward shift in AD.

B. An increase in Ethiopian exports and a rightward shift in AD.

C. A decrease in Ethiopian imports and a rightward shift in AD.

D. No change in net exports and no shift in AD.

63. Depreciation of the Ethiopian Birr will make:

A. Foreign goods cheaper for Ethiopians and Ethiopian goods cheaper for foreigners.

B. Foreign goods more expensive for Ethiopians and Ethiopian goods cheaper for foreigners.

C. Foreign goods cheaper for Ethiopians and Ethiopian goods more expensive for foreigners.

D. Foreign goods more expensive for Ethiopians and Ethiopian goods more expensive for foreigners.

64. A shift in the Aggregate Demand curve occurs when:

A. The price level changes.

B. There is a movement along the existing AD curve.

C. There is a change in the quantity of goods and services demanded at a given price level.

D. None of the above.

65. Which of the following is NOT a factor that can cause a shift in the AD curve?

A. Changes in government spending.

B. Changes in consumer expectations.

C. Changes in the price level.

D. Changes in investment spending.

66. An increase in household wealth is likely to cause:

A. A rightward shift in the AD curve.

B. A leftward shift in the AD curve.

C. No shift in the AD curve.

D. A movement along the AD curve.

67. If consumers expect prices to rise in the future, they are likely to:

A. Increase their current consumption spending.

B. Decrease their current consumption spending.

C. Maintain their current consumption spending.

D. Invest in the stock market.

68. A decrease in interest rates is likely to cause:

a) A decrease in investment spending.

b) An increase in consumption spending.

c) A decrease in government spending.

d) An increase in taxes.

69. An increase in income taxes is likely to cause:

a) An increase in consumption spending.

b) A decrease in consumption spending.

c) An increase in government spending.

d) A decrease in net exports.

70. If businesses become more optimistic about future sales, they are likely to:

a) Increase investment spending.

b) Decrease investment spending.

c) Increase business taxes.

d) Decrease wages.

71. A depreciation of a country's currency is likely to cause:

a) An increase in net exports.

b) A decrease in net exports.

c) An increase in imports.

d) A decrease in exports.

72. Which of the following policies would be most effective in stimulating aggregate demand during a recession?

a) Increasing income taxes.

b) Decreasing government spending.

c) Increasing interest rates.

d) Increasing government spending.

73. The AD-AS model is used to analyze:

a) The relationship between individual supply and demand.

b) The relationship between inflation and unemployment.

c) The determination of equilibrium price and quantity in a specific market.

d) None of the above.

74. A decrease in business taxes would most likely lead to:

a) A decrease in investment spending and AD.

b) An increase in investment spending and AD.

c) A decrease in consumption spending and AD.

d) No change in investment spending or AD.

75. If businesses become pessimistic about future sales, this would likely cause:

a) An increase in investment spending and AD.

b) A decrease in investment spending and AD.

c) An increase in government spending and AD.

d) A decrease in net exports and AD..

d) Trade policies.

76. A decrease in interest rates would most likely have what effect on investment and AD?

a) Decrease investment and decrease AD.

b) Increase investment and increase AD.

c) Decrease investment and increase AD.

d) No effect on investment or AD.

77. If the government increases income taxes, this would likely cause:

a) A decrease in consumption and AD.

b) An increase in consumption and AD.

c) An increase in investment and AD.

d) A decrease in net exports and AD.

78. All else equal, which of the following would NOT cause a shift in the AD curve?

a) A change in consumer expectations.

b) A change in government spending.

c) A change in the price level.

d) A change in the exchange rate.

79. If businesses become pessimistic about future sales, this will most likely lead to:

a) An increase in investment and a rightward shift in AD.

b) A decrease in investment and a leftward shift in AD.

c) An increase in government spending and a rightward shift in AD.

d) A decrease in net exports and a leftward shift in AD.

80. Net exports are calculated as:

a) Exports + Imports.

b) Exports - Imports.

c) Imports - Exports.

d) (Exports + Imports) / 2.

81. An increase in net exports will result in:

a) A leftward shift in the Aggregate Demand (AD) curve.

b) A rightward shift in the AD curve.

c) No shift in the AD curve.

d) A decrease in the price level.

82. A depreciation of the Ethiopian Birr means that:

a) It takes more Birr to buy one unit of foreign currency.

b) It takes fewer Birr to buy one unit of foreign currency.

c) The value of the Birr has increased relative to foreign currencies.

d) Ethiopian goods become more expensive for foreigners.

83. If the Ethiopian Birr depreciates, this will likely cause:

a) An increase in Ethiopian exports and a decrease in imports.

b) A decrease in Ethiopian exports and an increase in imports.

c) An increase in both exports and imports.

d) A decrease in both exports and imports.

84. An appreciation of the Ethiopian Birr will likely cause:

a) A decrease in the price of foreign goods for Ethiopians.

b) An increase in the price of foreign goods for Ethiopians.

c) An increase in the price of Ethiopian goods for foreigners.

d) No change in the relative prices of goods.

85. Which of the following would lead to a decrease in net exports and a leftward shift in the AD curve?

a) An increase in foreign incomes.

b) A decrease in Ethiopian incomes.

c) An appreciation of the Ethiopian Birr.

d) A decrease in foreign prices.

86. If the Ethiopian government wants to increase net exports, it could:

a) Implement policies to depreciate the Birr.

b) Implement policies to appreciate the Birr.

c) Increase taxes on exports.

d) Increase tariffs on imports.

87. The international trade effect suggests that:

a) Changes in exchange rates can impact net exports and aggregate demand.

b) Government spending is the primary determinant of net exports.

c) The price level has no impact on net exports.

d) Net exports are always positive.

88. A decrease in foreign incomes would likely cause:

a) A decrease in Ethiopian exports and a leftward shift in AD.

b) An increase in Ethiopian exports and a rightward shift in AD.

c) A decrease in Ethiopian imports and a rightward shift in AD.

d) An increase in Ethiopian imports and a leftward shift in AD.

89. If Ethiopian consumers switch from buying domestically produced goods to imported goods, this will likely cause:

a) An increase in net exports.

b) A decrease in net exports.

c) An increase in aggregate demand.

d) No change in net exports.

90. What is aggregate supply?

(a) The quantity of goods and services demanded at various price levels

(b) The quantity of goods and services supplied at various price levels

(c) The relationship between the price level and the quantity of goods and services demanded

(d) The relationship between the price level and the quantity of goods and services supplied

91. Which of the following is NOT included in aggregate supply?

(a) Short-run aggregate supply

(b) Long-run aggregate supply

(c) Potential output

(d) Consumption

92. What is the Keynesian assumption about the aggregate supply curve?

(a) It is horizontal

(b) It is vertical

(c) It is upward sloping

(d) It is downward sloping

93. What is the classical assumption about the aggregate supply curve?

(a) It is horizontal

(b) It is vertical

(c) It is upward sloping

(d) It is downward sloping

94. Why is the short-run aggregate supply curve upward sloping?

(a) Sticky wages

(b) Worker misperceptions

(c) Both (a) and (b)

(d) Neither (a) nor (b)

95. What happens to the quantity supplied of labor when real wages rise?

(a) It increases

(b) It decreases

(c) It remains the same

(d) It becomes indeterminate

96. What happens to the quantity demanded of labor when real wages rise?

(a) It increases

(b) It decreases

(c) It remains the same

(d) It becomes indeterminate

97. What is the effect of a decrease in the price level on the short-run aggregate supply curve?

(a) It shifts to the right

(b) It shifts to the left

(c) It becomes steeper

(d) It becomes flatter

98. What is the difference between the short-run and long-run aggregate supply curves?

(a) The short-run curve is upward sloping, while the long-run curve is vertical

(b) The long-run curve is upward sloping, while the short-run curve is vertical

(c) The short-run curve considers fixed inputs, while the long-run curve considers all inputs variable

(d) The long-run curve considers fixed inputs, while the short-run curve considers all inputs variable

99. What is potential output?

(a) The maximum output that an economy can produce with its current resources

(b) The output that an economy is currently producing

(c) The output that an economy will produce in the future

(d) The output that an economy would produce if there were no unemployment

100. Which of the following is the definition of aggregate supply?

(a) The quantity demanded of all goods and services at various price levels

(b) The quantity supplied of all goods and services at various price levels, ceteris paribus

(c) The relationship between the price level and the quantity of money in circulation

(d) The relationship between the price level and the quantity of goods and services demanded

101. Which of the following is NOT a factor that affects aggregate supply?

(a) Prices of inputs

(b) Technology

(c) Government regulations

(d) Consumer preferences

102. What is the shape of the Keynesian aggregate supply curve?**

(a) Horizontal

(b) Vertical

(c) Upward sloping

(d) Downward sloping

103. What is the shape of the classical aggregate supply curve?**

(a) Horizontal

(b) Vertical

(c) Upward sloping

(d) Downward sloping

104. What is the difference between short-run aggregate supply (SRAS) and long-run aggregate supply (LRAS)?**

(a) SRAS is upward sloping, while LRAS is vertical.

(b) LRAS is upward sloping, while SRAS is vertical.

(c) SRAS is based on the assumption that at least one input cannot be varied, while LRAS is based on the assumption that all inputs can be varied.

(d) LRAS is based on the assumption that at least one input cannot be varied, while SRAS is based on the assumption that all inputs can be varied.

105. Why is the SRAS curve upward sloping?**

(a) Because firms are willing to supply more goods and services at higher prices.

(b) Because firms are willing to supply less goods and services at lower prices.

(c) Because wages are sticky.

(d) Because workers misperceive the real wage.

106. What is the effect of an increase in the price level on the SRAS curve?**

(a) It shifts the SRAS curve to the left.

(b) It shifts the SRAS curve to the right.

(c) It has no effect on the SRAS curve.

(d) It makes the SRAS curve steeper.

107. What is the effect of an increase in the cost of inputs on the SRAS curve?**

(a) It shifts the SRAS curve to the left.

(b) It shifts the SRAS curve to the right.

(c) It has no effect on the SRAS curve.

(d) It makes the SRAS curve flatter.

108. What is the relationship between the SRAS curve and the LRAS curve?**

(a) The SRAS curve is always to the left of the LRAS curve.

(b) The SRAS curve is always to the right of the LRAS curve.

(c) The SRAS curve can intersect the LRAS curve.

(d) The SRAS curve is always vertical, while the LRAS curve is always horizontal.

109. In the long run, the aggregate supply curve is:**

(a) Vertical

(b) Horizontal

(c) Upward sloping

(d) Downward sloping

110. What is the concept of Aggregate Supply?

a) The quantity demanded of all goods and services at various price levels

b) The quantity supplied of all goods and services at various price levels

c) The relationship between price level and real GDP

d) The relationship between demand and supply

111. What is the difference between short-run aggregate supply (SRAS) and long-run aggregate supply (LRAS)?

a) SRAS is horizontal, while LRAS is vertical

b) SRAS is vertical, while LRAS is horizontal

c) SRAS depends on the prices received for goods, while LRAS depends on factor markets

d) SRAS depends on factor markets, while LRAS depends on prices received for goods

112. Why is the SRAS curve upward sloping?

a) Due to sticky wages and worker misperceptions

b) Due to flexible wages and worker perceptions

c) Due to changes in government policies

d) Due to technological advancements

113. What is the concept of Aggregate Supply?

a) The quantity demanded of all goods and services at various price levels

b) The quantity supplied of all goods and services at various price levels

c) The relationship between price level and real GDP

d) The relationship between demand and supply

114. What is the difference between short-run aggregate supply (SRAS) and long-run aggregate supply (LRAS)?

a) SRAS is horizontal, while LRAS is vertical

b) SRAS is vertical, while LRAS is horizontal

c) SRAS depends on the prices received for goods, while LRAS depends on factor markets

d) SRAS depends on factor markets, while LRAS depends on prices received for goods

115. Why is the SRAS curve upward sloping?

a) Due to sticky wages and worker misperceptions

b) Due to flexible wages and worker perceptions

c) Due to changes in government policies

d) Due to technological advancements

116. What does the Keynesian supply curve indicate?

a) A vertical relationship between price level and real GDP

b) A horizontal relationship between price level and real GDP

c) A direct relationship between price level and real output offered for sale

d) An inverse relationship between price level and real output offered for sale

117. What is the relationship between price level and real output in the concept of Aggregate Supply?

a) Inverse

b) Direct

c) Indirect

d) Random

118. What does the Keynesian supply curve indicate about the relationship between price level and real output?

a) Inverse

b) Direct

c) No relationship

d) Random

119. Why is the classical aggregate supply curve considered vertical?

a) Due to sticky wages

b) Due to flexible wages

c) Due to full employment of the labor force

d) Due to unemployment

120 . What does the short-run aggregate supply (SRAS) curve show?

a) Quantity demanded of all goods and services

b) Quantity supplied of all goods and services at different price levels

c) Relationship between demand and supply

d) Relationship between price level and real GDP

121. What is the relationship between price level and real output in the concept of Aggregate Supply?

a) Inverse

b) Direct

c) Indirect

d) Random

121. What does the Keynesian supply curve indicate about the relationship between price level and real output?

a) Inverse

b) Direct

c) No relationship

d) Random

122. Why is the classical aggregate supply curve considered vertical?

a) Due to sticky wages

b) Due to flexible wages

c) Due to full employment of the labor force

d) Due to unemployment

123. What does the short-run aggregate supply (SRAS) curve show?

a) Quantity demanded of all goods and services

b) Quantity supplied of all goods and services at different price levels

c) Relationship between demand and supply

d) Relationship between price level and real GDP

124. What is the relationship between price level and real output in the concept of Aggregate Supply?

a) Inverse

b) Direct

c) Indirect

d) Random

125. What does the Keynesian supply curve indicate about the relationship between price level and real output?

a) Inverse

b) Direct

c) No relationship

d) Random

126. Why is the classical aggregate supply curve considered vertical?

a) Due to sticky wages

b) Due to flexible wages

c) Due to full employment of the labor force

d) Due to unemployment

127. What does the short-run aggregate supply (SRAS) curve show?

a) Quantity demanded of all goods and services

b) Quantity supplied of all goods and services at different price levels

c) Relationship between demand and supply

d) Relationship between price level and real GDP

128. What are two explanations for the upward-sloping SRAS curve mentioned in the text?

a) Sticky wages and worker misperceptions

b) Flexible wages and worker satisfaction

c) Full employment and labor market equilibrium

d) Price level fluctuations and demand shifts

129. What is the relationship between price level and real output in the concept of Aggregate Supply?

a) Inverse

b) Direct

c) Indirect

d) Random

130. What does the Keynesian supply curve indicate about the relationship between price level and real output?

a) Inverse

b) Direct

c) No relationship

d) Random

131. Why is the classical aggregate supply curve considered vertical?

a) Due to sticky wages

b) Due to flexible wages

c) Due to full employment of the labor force

d) Due to unemployment

132. What does the short-run aggregate supply (SRAS) curve show?

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b) Direct

c) No relationship

d) Random

136. Why is the classical aggregate supply curve considered vertical?

a) Due to sticky wages

b) Due to flexible wages

c) Due to full employment of the labor force

d) Due to unemployment

137. What does the short-run aggregate supply (SRAS) curve show?

a) Quantity demanded of all goods and services

b) Quantity supplied of all goods and services at different price levels

c) Relationship between demand and supply

d) Relationship between price level and real GDP

138. What are two explanations for the upward-sloping SRAS curve mentioned in the text?

a) Sticky wages and worker misperceptions

b) Flexible wages and worker satisfaction

c) Full employment and labor market equilibrium

d) Price level fluctuations and demand shifts

139. What is the concept of Aggregate Supply?

A. Quantity of goods and services produced in a country

B. The total amount of money which all sections are ready to spend on the purchase of goods and services produced in an economy during a given period.

C. The amount of goods and services what people are willing to supply at various price levels, ceteris paribus.

D. All of the above

140. What does the aggregate supply (AS) curve represent?

A. A schedule that shows the amount of real output that firms collectively offer for sale at each price level ceteris paribus

B. The general price level

C. A downward sloping curve

D. All of the above

141. What is the reason behind the upward sloping aggregate supply (AS) curve in the short run?

A. Sticky wages

B. Worker misperceptions

C. Wage rate

D. Money supply

142. What is the relation between the price level and the quantity of goods and services supplied in the economy, based on the Aggregate Supply concept?

A. There is a direct or positive relationship

B. There is an inversely proportional relationship

C. There is no relationship

D. All of the above

143. Name the two sides of the aggregate supply and aggregate demand model.

A. Aggregate supply and Labour Market

B. Keynesian Supply Curve and Classical Aggregate Supply Curve

C. Aggregate supply and Aggregate demand

D. Aggregate demand and Output

144. What is the Classical aggregate supply curve?

A. A horizontal curve

B. A vertical curve

C. An upward sloping curve

D. A downward sloping curve

145. Which concept suggests that wages are sticky or inflexible, in relation to the aggregate supply concept?

A. Sticky wages

B. Inflation

C. Real wages

D. Monopolistic competition

146. What is the primary change when a company enters into a labor contract agreement with workers?

A. The wages are locked in for a few years.

B. The wages cannot be lowered by the company.

C. The wages are increased by the company.

D. The wages are linked to the company's perfo

147. What is the concept of Aggregate Supply?

A. Quantity of goods and services produced in a country

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C. The amount of goods and services what people are willing to supply at various price levels, ceteris paribus.

D. All of the above

148. What does the aggregate supply (AS) curve represent?

A. A schedule that shows the amount of real output that firms collectively offer for sale at each price level ceteris paribus

B. The general price level

C. A downward sloping curve

D. All of the above

149. What is the reason behind the upward sloping aggregate supply (AS) curve in the short run?

A. Sticky wages

B. Worker misperceptions

C. Keynesian supply curve

D. All of the above

150. What is the role of aggregate supply (AS) curve in the economy?

A. It shows the relation between the price level and the quantity of goods and services supplied in the economy.

B. It helps in determining the level of economic activity in the economy.

C. It is the real GDP, which comes from the total expenditure on consumption and investment.

D. All of the above

151. Which of the following factors does NOT affect the quantity supplied of labour?

A. Real wage

B. Sticky wages

C. Worker misperceptions

D. Degree of Aggregate Supply (AS) determination

132. What does the SRAS curve shows?

A. The quantity supplied of all goods and services (real GDP or output) at different price levels, ceteris paribus.

B. The level of economic activity in the economy.

C. The total amount of money which all sections are ready to spend on the purchase of goods and services produced in an economy during a given period.

D. All of the above

133. What does the SRAS curve represent?

A. A schedule that shows the amount of real output that firms collectively offer for sale at each price level ceteris paribus

B. The general price level

C. A downward sloping curve

D. All of the above

134. What two factors are used to explain the upward sloping SRAS curve?

A. Sticky wages and Worker misperceptions

B. Real wages and Worker misperceptions

C. Inflation and Keynesian supply curve

D. All of the above

135. What does the Keynesian supply curve represent?

A. A horizontal curve

B. A vertical curve

C. An upward sloping curve

D. A downward sloping curve

136. What does the long-run aggregate supply (LRAS) concept represent, in relation to the aggregate supply?

A. The long run is a time horizon that is long enough for a firm to vary all of their inputs and the aggregate supply reflects conditions in the factor markets as well as the goods markets.

B. There is full employment in the labor market.

C. The general price level is stable.

D. All of the above

137. What as the relationship between the price level and the quantity of goods and services supplied in the economy, based on the Classical aggregate supply concept?

A. There is an inversely proportional relationship

B. There is no relationship

C. There is a direct or positive relationship

D. All of the above

138. The concept of Aggregate Supply refers to the quantity supplied of all goods and services (real GDP) at various price levels, ceteris paribus. Then, which of the following statements is correct?

A. Aggregate supply is affected by the price level.

B. Aggregate supply is not affected by the price level.

C. Aggregate supply is affected by the supply of labor.

D. Aggregate supply is needed to meet the needs of the country.

139. What happens to the real wage when the price index falls from 1.50 to 1.25?

a) It remains the same

b) It decreases

c) It increases

d) It fluctuates

140. How does a decrease in the price level affect the quantity demanded of labor, according to the text?

a) It increases the quantity demanded of labor

b) It has no effect on the quantity demanded of labor

c) It decreases the quantity demanded of labor

d) It depends on other factors

141. What is the result of a higher real wage than expected for a firm that has locked in nominal wages?

a) The firm hires more workers

b) The firm cuts back on its labor force

c) The firm increases its output

d) The firm reduces its prices

142. What explanation for the upward-sloping SRAS curve involves workers misperceiving real wage changes?

a) Sticky wages

b) Labor market equilibrium

c) Worker satisfaction

d) Worker misperceptions

143. How does a fall in the price level affect output according to the text?

a) It increases output

b) It has no effect on output

c) It decreases output

d) It depends on other factors

144. According to the theory of sticky wages, what is the impact of a decrease in the price level?

(A) An increase in aggregate supply

(B) A decrease in aggregate supply

(C) No change in aggregate supply

(D) An increase in aggregate demand

145. Which of the following factors can lead to a rightward shift in the SRAS curve?

(A) An increase in productivity

(B) A decrease in input costs

(C) An increase in taxes

(D) A decrease in the price level

146. What is the relationship between the LRAS curve and the short-run aggregate supply curve?

(A) The LRAS curve is always to the left of the SRAS curve.

(B) The LRAS curve is always to the right of the SRAS curve.

(C) The LRAS curve is vertical, while the SRAS curve is upward-sloping.

(D) The LRAS curve is upward-sloping, while the SRAS curve is vertical.

147. What is the main determinant of the position of the LRAS curve?

(A) The level of aggregate demand

(B) The availability of resources

(C) The price level

(D) The expectations of businesses and consumers

148. Which of the following is a potential benefit of sticky wages?

(A) Reduced unemployment

(B) Increased inflation

(C) Higher real wages

(D) Improved productivity

149. What happens to the real wage when the price index falls?

(A) It increases

(B) It decreases

(C) It stays the same

(D) It becomes indeterminate

150. Why does the firm reduce its labor force after the price index falls?

(A) Because it hired too many workers initially

(B) Because the real wage is higher than expected

(C) Because the workers misperceive the real wage

(D) Because the price level has fallen

151. What happens to the economy in the short run when aggregate demand exceeds aggregate supply?

(A) Inflation increases

(B) Output increases

(C) Unemployment increases

(D) The price level falls

(D) They are unrelated

152. What is the long-run effect of a persistent increase in aggregate demand?

(A) Inflation increases

(B) Output increases

(C) Unemployment decreases

(D) The price level falls

153. What is the role of expectations in the SRAS curve?

(A) Expectations about future prices can shift the SRAS curve

(B) Expectations about future wages can shift the SRAS curve

(C) Expectations about future economic growth can shift the SRAS curve

(D) All of the above

.154. What kind of relationship exists between the real wage and the quantity demanded of labor?

(A) Positive

(B) Negative

(C) Zero

(D) Indeterminate

155. What is the explanation for the upward-sloping SRAS curve according to the theory of worker misperceptions?

(A) Workers misperceive real wage changes and reduce labor supply

(B) Firms reduce labor demand due to higher real wages

(C) The government intervenes to increase aggregate demand

(D) The central bank increases the money supply

156. Which of the following is NOT a factor that can shift the SRAS curve?

(A) Government policy

(B) Technological progress

(C) Changes in the price level

(D) Changes in nominal wages

157. What is the slope of the SRAS curve in the short run?

(A) Positive

(B) Negative

(C) Zero

(D) Indeterminate

`158. What is the main determinant of the position of the SRAS curve in the long run?

(A) Aggregate demand

(B) Aggregate supply

(C) Potential output

(D) The price level

159. What happens to aggregate supply in response to an increase in the price level?

(A) It increases

(B) It decreases

(C) It stays the same

(D) It becomes indeterminate

160. Which of the following is a potential downside to sticky wages?

(A) Higher inflation

(B) Lower employment

(C) Reduced investment

(D) All of the above

161. What is the effect of an expansionary fiscal policy on the SRAS curve?

(A) It shifts the SRAS curve to the left

(B) It shifts the SRAS curve to the right

(C) It has no effect on the SRAS curve

(D) It makes the SRAS curve steeper

162. What is the impact of a technological innovation on the LRAS curve?

(A) It shifts the LRAS curve to the left

(B) It shifts the LRAS curve to the right

(C) It has no effect on the LRAS curve

(D) It makes the LRAS curve flatter

163. What happens to the economy in the short run when aggregate demand exceeds aggregate supply?

(A) Inflation increases

(B) Output increases

(C) Unemployment increases

(D) The price level falls

164. What is the long-run equilibrium price level?

(A) The price level at which aggregate demand equals aggregate supply

(B) The price level at which the SRAS curve intersects the vertical axis

(C) The price level at which the LRAS curve intersects the horizontal axis

(D) The price level at which the Phillips curve is vertical

165. What is the relationship between the SRAS curve and the Phillips curve?

(A) They are positively sloped

(B) They are negatively sloped

(C) They are perpendicular

(D) They are unrelated

166. Which of the following factors is likely to lead to a rightward shift in the SRAS curve?

(A) An increase in the price of oil

(B) A technological breakthrough

(C) A decline in wage rates

(D) An increase in business taxes

167. What is the impact of a rise in equilibrium wage rates on the SRAS curve?

(A) It shifts it to the left

(B) It shifts it to the right

(C) It makes it steeper

(D) It makes it flatter

168. What does the LRAS curve represent?

(A) The output that the economy produces in the short run

(B) The output that the economy produces in the long run

(C) The level of output at which the economy is in equilibrium

(D) The level of output at which there is full employment

169. Which of the following is true about the LRAS curve?

(A) It is vertical

(B) It is horizontal

(C) It is upward-sloping

(D) It is downward-sloping

170. Why is the LRAS curve vertical?

(A) Because wages are not flexible in the long run

(B) Because technology does not change in the long run

(C) Because the economy is always at full employment in the long run

(D) Because the aggregate supply of goods and services is always constant in the long run

171. What is full-employment real GDP?

(A) The level of output that the economy can produce without inflation

(B) The level of output that the economy can produce with full employment

(C) The level of output that the economy can produce in the short run

(D) The level of output that the economy can produce in the long run

172. Which of the following is NOT a consequence of a decline in the SRAS curve?

(A) A decrease in the price level

(B) An increase in real GDP

(C) A decline in employment

(D) A decrease in the unemployment rate

173. What is the impact of a technological breakthrough on the SRAS curve?

(A) It shifts it to the left

(B) It shifts it to the right

(C) It makes it steeper

(D) It makes it flatter

174. What is the difference between short-run and long-run equilibrium?

(A) In the short run, the economy can produce more or less than its full-employment level of output, while in the long run it can only produce its full-employment level of output.

(B) In the short run, the economy is always at full employment, while in the long run it is not always at full employment.

(C) In the short run, the price level is flexible, while in the long run it is not.

(D) In the short run, the SRAS curve is vertical, while in the long run it is horizontal.

175. Which of the following factors does NOT affect aggregate supply?

(a) Cost of inputs

(b) Weather

(c) Population growth

(d) Tax policy

176. A rise in equilibrium wage rates will lead to a:

(a) Rightward shift in the SRAS curve

(b) Leftward shift in the SRAS curve

(c) Upward shift in the SRAS curve

(d) Downward shift in the SRAS curve

178. In the long run, the economy produces the:

(a) Short-run equilibrium real GDP

(b) Full-employment real GDP

(c) Potential real GDP

(d) Inflationary real GDP

179. Which of the following is an example of a factor that can shift the LRAS curve?

(a) Wage rate

(b) Technological progress

(c) Availability of natural resources

(d) Government subsidies

180. The SRAS curve is upward sloping due to:

(a) Sticky wages

(b) Diseconomies of scale

(c) Price expectations

(d) Labor union power

181. Which of the following statements is true about the LRAS curve?

(a) It is horizontal in the short run

(b) It is vertical in the long run

(c) It is upward sloping in the short run

(d) It is downward sloping in the long run

182. A decrease in the price of imported resources would lead to a:

(a) Rightward shift in the SRAS curve

(b) Leftward shift in the SRAS curve

(c) Upward shift in the SRAS curve

(d) No change in the SRAS curve

183. Which of the following is NOT a condition for long-run equilibrium?

(a) Full employment

(b) Price stability

(c) Sticky wages

(d) Accurate price expectations

184. At which point is the economy in short-run equilibrium?

(a) Where the AD curve intersects the SRAS curve

(b) Where the AD curve intersects the LRAS curve

(c) Where the SRAS curve intersects the LRAS curve

(d) Where the AD curve and SRAS curve are parallel

185. Which of the following would lead to a rightward shift in the AD curve?

(a) Increase in consumer confidence

(b) Decrease in interest rates

(c) Reduction in government spending

(d) Increase in taxes

186. A shortage of goods occurs when:

(a) Quantity demanded exceeds quantity supplied

(b) Quantity supplied exceeds quantity demanded

(c) AD equals SRAS

(d) SRAS equals LRAS

187. Which of the following is a factor that can shift the LRAS curve to the left?

(a) Technological progress

(b) Increase in labor force

(c) Natural disaster

(d) Expansionary monetary policy

188. Which of the following would lead to a decrease in both the price level and real GDP?

(a) Negative demand shock

(b) Positive demand shock

(c) Negative supply shock

(d) Positive supply shock

189. The AD curve is typically downward sloping because:

(a) As prices increase, consumers demand more goods and services

(b) As prices increase, consumers demand fewer goods and services

(c) As prices decrease, consumers demand more goods and services

(d) As prices decrease, consumers demand fewer goods and services

190. Which of the following is NOT a determinant of aggregate demand?

(a) Consumer spending

(b) Government spending

(c) Business investment

(d) The money supply

191. A rightward shift in the SRAS curve would lead to:

(a) Higher prices and higher output

(b) Higher prices and lower output

(c) Lower prices and higher output

(d) Lower prices and lower output

192. In the case of a positive supply shock, the SRAS curve shifts to the:

(a) Right

(b) Left

(c) Up

(d) Down

193. A negative supply shock would shift the SRAS curve:

(a) To the right

(b) To the left

(c) Upward

(d) Downward

194. Which of the following is a determinant of long-run aggregate supply?

(a) Capital stock

(b) Wage rates

(c) Inflation expectations

(d) Short-term interest rates

195. In the long run, the level of real GDP:

(a) Is determined by aggregate demand

(b) Is determined by aggregate supply

(c) Is always at the full-employment level

(d) Is always below the full-employment level

196. A technological improvement would lead to a:

(a) Rightward shift in the SRAS curve

(b) Leftward shift in the SRAS curve

(c) Upward shift in the SRAS curve

(d) Downward shift in the SRAS curve

197. Which of the following would NOT affect the natural rate of output?

(a) Tax policy

(b) Productivity growth

(c) Government spending

(d) Inflation

198. The vertical LRAS curve implies that:

(a) The economy can produce any level of output it desires

(b) The economy can only produce the natural rate of output

(c) The economy can produce more output in the short run than in the long run

(d) The economy can produce less output in the short run than in the long run

199. A higher price of oil would cause a:

(a) Rightward shift in the SRAS curve

(b) Leftward shift in the SRAS curve

(c) Upward shift in the SRAS curve

(d) Downward shift in the SRAS curve

200. Which of the following is a factor that can shift both the SRAS and LRAS curves?

(a) Tax policy

(b) Technological progress

(c) Inflation expectations

(d) Government spending

201. A decrease in business taxes would lead to a:

(a) Rightward shift in the SRAS curve

(b) Leftward shift in the SRAS curve

(c) Upward shift in the SRAS curve

(d) Downward shift in the SRAS curve

202. Which of the following is NOT a factor that can shift the LRAS curve to the right?

(a) Technological progress

(b) Increase in labor force

(c) Negative supply shock

(d) Expansionary monetary policy

203. A rise in the price of imported resources would lead to a:

(a) Rightward shift in the LRAS curve

(b) Leftward shift in the LRAS curve

(c) Upward shift in the LRAS curve

(d) Downward shift in the LRAS curve

204. The LRAS curve is vertical because:

(a) The economy can produce any level of output it wants

(b) The economy can produce only the natural rate of output

(c) The economy always produces at the full-employment level

(d) The economy always produces below the full-employment level

205. A rightward shift in the SRAS curve would cause:

(a) Higher prices and higher output

(b) Higher prices and lower output

(c) Lower prices and higher output

(d) Lower prices and lower output

206. Which of the following would NOT affect the slope of the SRAS curve?

(a) Wage rigidity

(b) Price expectations

(c) Labor union power

(d) Government subsidies

207. In the case of a negative supply shock, the LRAS curve shifts to the:

(a) Right

(b) Left

(c) Up

(d) Down

208. A higher natural rate of unemployment would lead to a:

(a) Leftward shift in the SRAS curve

(b) Rightward shift in the SRAS curve

(c) Upward shift in the SRAS curve

(d) Downward shift in the SRAS curve

209. If the economy is in long-run equilibrium, then:

(a) The AD curve and SRAS curve intersect

(b) The AD curve and LRAS curve intersect

(c) The SRAS curve and LRAS curve intersect

(d) The AD curve, SRAS curve, and LRAS curve all intersect

210. At the short-run equilibrium point:

(a) Quantity demanded of real GDP equals quantity supplied of real GDP

(b) Quantity demanded of real GDP is greater than quantity supplied of real GDP

(c) Quantity supplied of real GDP is greater than quantity demanded of real GDP

(d) Price level is above the equilibrium price level

211. Which of the following would lead to a rightward shift in both the AD and SRAS curves?

(a) Expansionary monetary policy and technological progress

(b) Contractionary fiscal policy and a natural disaster

(c) Expansionary monetary policy and a decrease in consumer confidence

(d) Contractionary fiscal policy and technological progress

212. A negative supply shock would:

(a) Shift the AD curve to the right

(b) Shift the SRAS curve to the left

(c) Shift the LRAS curve to the left

(d) Have no effect on the AD or AS curves

213. In the long run, the economy will produce at the:

(a) Short-run equilibrium level

(b) Natural rate of output

(c) Potential GDP

(d) Cyclical unemployment rate

214. Which of the following would NOT lead to a change in the equilibrium price level?

(a) Shift in the AD curve

(b) Shift in the SRAS curve

(c) Change in the money supply

(d) Change in government spending

215. A rightward shift in the AD curve would lead to:

(a) Higher prices and higher output

(b) Higher prices and lower output

(c) Lower prices and higher output

(d) Lower prices and lower output

216. Which of the following is a factor that can shift both the short-run and long-run aggregate demand curves?

(a) Consumer expectations

(b) Technological progress

(c) Government subsidies

(d) Inflation

217. A leftward shift in the SRAS curve would lead to:

(a) Higher prices and higher output

(b) Higher prices and lower output

(c) Lower prices and higher output

(d) Lower prices and lower output

218. In the case of a positive demand shock, the AD curve shifts to the:

(a) Right

(b) Left

(c) Up

(d) Down

219. Which of the following would NOT affect the long-run equilibrium level of output?

(a) Natural resource availability

(b) Government regulations

(c) Inflation expectations

(d) Short-term interest rates