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| 1. In 2011, the average American earned about $48,000 while the average Nigerian earned about $1,200. Which of the following statements is likely?   |  |  |  | | --- | --- | --- | |  | a. | The average American purchases more televisions than the average Nigerian. | |  | b. | The average American has better nutrition and healthcare than the average Nigerian. | |  | c. | The average American has a longer life expectancy than the average Nigerian. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.012 - Apply basic, economic principles of individual decision making that determine how an economy generally works. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 2. In the United States, incomes historically have grown about 2 percent per year. At this rate, average income doubles every   |  |  |  | | --- | --- | --- | |  | a. | 15 years. | |  | b. | 25 years. | |  | c. | 35 years. | |  | d. | 45 years. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 3. In the United States, incomes have historically grown   |  |  |  | | --- | --- | --- | |  | a. | about 0.5 percent per year. | |  | b. | about 2 percent per year. | |  | c. | about 4 percent per year. | |  | d. | about 6 percent per year. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Knowledge | |

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| 4. Over the past century, the average income in the United States has risen about   |  |  |  | | --- | --- | --- | |  | a. | twofold. | |  | b. | fivefold. | |  | c. | eightfold. | |  | d. | tenfold. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth | | *KEYWORDS:* | BLOOM'S: Knowledge | |

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| 5. The term "productivity"   |  |  |  | | --- | --- | --- | |  | a. | means the same thing as "efficiency." | |  | b. | is seldom used by economists, as its meaning is not precise. | |  | c. | refers to the quantity of goods and services produced from each unit of labor input. | |  | d. | refers to the variety of goods and services from which households can choose when they shop. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Knowledge | |

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| 6. Productivity is defined as the   |  |  |  | | --- | --- | --- | |  | a. | amount of goods and services produced from each unit of labor input. | |  | b. | number of workers required to produce a given amount of goods and services. | |  | c. | amount of labor that can be saved by replacing workers with machines. | |  | d. | actual amount of effort workers put into an hour of working time. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Knowledge | |

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| 7. The amount of goods and services produced from each unit of labor input is called   |  |  |  | | --- | --- | --- | |  | a. | opportunity cost. | |  | b. | productivity. | |  | c. | externality. | |  | d. | marginal benefit. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Knowledge | |

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| 8. What is the most important factor that explains differences in living standards across countries?   |  |  |  | | --- | --- | --- | |  | a. | the quantity of money | |  | b. | the level of unemployment | |  | c. | productivity | |  | d. | equality |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 9. Almost all variation in living standards is attributable to differences in countries'   |  |  |  | | --- | --- | --- | |  | a. | population growth rates. | |  | b. | productivity. | |  | c. | systems of public education. | |  | d. | taxes. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 10. The income of a typical worker in a country is most closely linked to which of the following?   |  |  |  | | --- | --- | --- | |  | a. | population | |  | b. | productivity | |  | c. | market power | |  | d. | government policies |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 11. A direct or positive relationship exists between a country's   |  |  |  | | --- | --- | --- | |  | a. | productivity and its standard of living. | |  | b. | amount of government spending and its productivity. | |  | c. | total population and its average citizen’s income. | |  | d. | rate of population growth and the extent of its trade with other countries. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 12. The primary determinant of a country's standard of living is   |  |  |  | | --- | --- | --- | |  | a. | the country’s ability to prevail over foreign competition. | |  | b. | the country’s ability to produce goods and services. | |  | c. | the total supply of money in the economy. | |  | d. | the average age of the country's labor force. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 13. The historical rise in living standards of American workers is primarily a result of   |  |  |  | | --- | --- | --- | |  | a. | the influence of labor unions in America. | |  | b. | tariff protection imposed by the American government. | |  | c. | the enactment of minimum-wage laws in America. | |  | d. | the rise in American productivity. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 14. The fact that different countries experience different standards of living is largely explained by differences in those countries'   |  |  |  | | --- | --- | --- | |  | a. | populations. | |  | b. | productivity levels. | |  | c. | locations. | |  | d. | None of the above is correct. Economists are puzzled by differences in standards of living around the world. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 15. Suppose the average income of a citizen of Poland is higher than the average income of a citizen of Romania. You might conclude that   |  |  |  | | --- | --- | --- | |  | a. | Polish firms are faced with stricter government regulations than Romanian firms. | |  | b. | total income is divided among fewer workers in Poland since it has a smaller labor force than Romania. | |  | c. | Romania's climate allows for longer growing seasons and therefore Romania can produce large quantities of grain and other crops. | |  | d. | productivity in Poland is higher than in Romania. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Application | |

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| 16. The slow growth of U.S. incomes during the 1970s and 1980s can best be explained by   |  |  |  | | --- | --- | --- | |  | a. | unstable economic conditions in Eastern Europe. | |  | b. | increased competition from abroad. | |  | c. | a decline in the rate of increase in U.S. productivity. | |  | d. | a strong U.S. dollar abroad, hurting U.S. exports. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Application | |

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| 17. Slow growth in US incomes during the 1970s and 1980s was primarily due to   |  |  |  | | --- | --- | --- | |  | a. | slow productivity growth in the US. | |  | b. | increased competition from Japan. | |  | c. | increased competition from European countries. | |  | d. | a rapid decrease in the quantity of money in the economy. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Application | |

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| 18. Suppose a typical worker in India can produce 32 units of product in an eight-hour day, while a typical worker in Bangladesh can produce 30 units of product in a 10-hour day. We can conclude that   |  |  |  | | --- | --- | --- | |  | a. | worker productivity in Bangladesh is higher than in India. | |  | b. | the standard of living will likely be higher in India than in Bangladesh. | |  | c. | productivity is 4 units per hour for the worker in Bangladesh and 3 units per hour for the worker in India. | |  | d. | there will be no difference between the standard of living in India and Bangladesh. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Application | |

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| 19. Suppose that in Brazil total annual output is worth $600 million and people work 30 million hours. In Peru total annual output is worth $800 million and people work 50 million hours. Productivity is higher   |  |  |  | | --- | --- | --- | |  | a. | in Brazil. Most variation in the standard of living across countries is due to differences in productivity. | |  | b. | in Brazil. Differences in productivity explain very little of the variation in the standard of living across countries. | |  | c. | in Peru. Most variation in the standard of living across countries is due to differences in productivity. | |  | d. | in Peru. Differences in productivity explain very little of the variation in the standard of living across countries. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Analysis | |

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| 20. US citizens have better nutrition, better healthcare, and a longer life expectancy than citizens of Ghana. Which of the following conclusions can be drawn from this statement?   |  |  |  | | --- | --- | --- | |  | a. | Average income in the US is higher than the average income in Ghana. | |  | b. | The US has a higher standard of living than Ghana. | |  | c. | Productivity in the US is higher than productivity in Ghana. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Application | |

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| 21. In a particular country in 1998, the average worker needed to work 25 hours to produce 40 units of output. In that same country in 2008, the average worker needed to work 40 hours to produce 68 units of output. In that country, the productivity of the average worker   |  |  |  | | --- | --- | --- | |  | a. | decreased by 1.7 percent between 1998 and 2008. | |  | b. | remained unchanged between 1998 and 2008. | |  | c. | increased by 4.75 percent between 1998 and 2008. | |  | d. | increased by 6.25 percent between 1998 and 2008. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.282 - Given production data, compare productivity across different years. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Analysis | |

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| 22. In a particular country in 2000, the average worker needed to work 40 hours to produce 55 units of output. In that same country in 2008, the average worker needed to work 30 hours to produce 45 units of output. In that country, the productivity of the average worker   |  |  |  | | --- | --- | --- | |  | a. | decreased by about 6 percent between 2000 and 2008. | |  | b. | remained unchanged between 2000 and 2008. | |  | c. | increased by about 9 percent between 2000 and 2008. | |  | d. | increased by about 18 percent between 2000 and 2008. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.282 - Given production data, compare productivity across different years. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Analysis | |

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| 23. In a particular country in 1998, the average worker needed to work 40 hours to produce 100 units of output. In that same country in 2008, the average worker needed to work 36 hours to produce 72 units of output. In that country, the productivity of the average worker   |  |  |  | | --- | --- | --- | |  | a. | decreased between 1998 and 2008, so we would expect the standard of living to have decreased accordingly. | |  | b. | increased between 1998 and 2008, so we would expect the standard of living to have increased accordingly. | |  | c. | decreased between 1998 and 2008, so we would expect inflation to have decreased accordingly. | |  | d. | increased between 1998 and 2008, so we would expect inflation to have increased accordingly. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.282 - Given production data, compare productivity across different years. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Analysis | |

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| 24. In a particular country in 1999, the average worker had to work 20 hours to produce 55 units of output. In that same country in 2009, the average worker needed to work 28 hours to produce 77 units of output. In that country, the productivity of the average worker   |  |  |  | | --- | --- | --- | |  | a. | increased by 2 percent between 1999 and 2009. | |  | b. | increased by 5 percent between 1999 and 2009. | |  | c. | remained unchanged between 1999 and 2009. | |  | d. | decreased by 3 percent between 1999 and 2009. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.282 - Given production data, compare productivity across different years. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Analysis | |

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| 25. A worker in Vietnam can earn $6 per day making cotton cloth on a hand loom. A worker in the United States can earn $85 per day making cotton cloth with a mechanical loom. What is the likely explanation for the difference in wages?   |  |  |  | | --- | --- | --- | |  | a. | U.S. textile workers belong to a union, whereas Vietnamese textile workers do not belong to a union. | |  | b. | There is little demand for cotton cloth in Vietnam and great demand in the U.S. | |  | c. | Labor is more productive making cotton cloth with a mechanical loom than with a hand loom. | |  | d. | Vietnam has a low-wage policy to make its textile industry more competitive in world markets. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Application | |

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| 26. To promote good economic outcomes, policymakers should strive to enact policies that   |  |  |  | | --- | --- | --- | |  | a. | enhance productivity. | |  | b. | enhance individuals' market power. | |  | c. | result in a rapidly-growing quantity of money. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Application | |

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| 27. To raise productivity, policymakers could   |  |  |  | | --- | --- | --- | |  | a. | increase spending on education. | |  | b. | provide tax credits to firms for capital improvements. | |  | c. | fund research and development. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Application | |

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| 28. What is the most important factor that explains differences in living standards among countries?   |  |  |  | | --- | --- | --- | |  | a. | labor unions | |  | b. | minimum wage laws | |  | c. | productivity | |  | d. | efficiency |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 29. To increase living standards, public policy should   |  |  |  | | --- | --- | --- | |  | a. | ensure that workers are well educated and have the necessary tools and technology. | |  | b. | make unemployment benefits more generous. | |  | c. | move workers into jobs directly from high school. | |  | d. | ensure a greater degree of equality, taking all income-earners into account. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Application | |

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| 30. The increase in living standards of American workers over the past century is primarily due to   |  |  |  | | --- | --- | --- | |  | a. | the success of labor unions. | |  | b. | minimum-wage laws. | |  | c. | improvements in productivity. | |  | d. | None of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Application | |

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| 31. To improve living standards, policymakers should   |  |  |  | | --- | --- | --- | |  | a. | impose restrictions on foreign competition. | |  | b. | formulate policies designed to increase productivity. | |  | c. | impose tougher immigration policies. | |  | d. | provide tax breaks for the middle class. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Application | |

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| 32. Incomes of U.S. households in the 1970s and 1980s   |  |  |  | | --- | --- | --- | |  | a. | grew rapidly, due to the widespread success of labor unions in pushing up wages during those decades. | |  | b. | grew rapidly, due to several increases in the minimum wage during those decades. | |  | c. | grew rapidly, due to government policies that discouraged the importation of foreign products during those decades. | |  | d. | grew slowly, due to slow growth of the output of goods and services per hour of U.S. workers' time during those decades. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Application | |

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| 33. An increase in the overall level of prices in an economy is referred to as   |  |  |  | | --- | --- | --- | |  | a. | the income effect. | |  | b. | inflation. | |  | c. | deflation. | |  | d. | the substitution effect. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Knowledge | |

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| 34. Inflation is defined as   |  |  |  | | --- | --- | --- | |  | a. | a period of rising productivity in the economy. | |  | b. | a period of rising income in the economy. | |  | c. | an increase in the overall level of output in the economy. | |  | d. | an increase in the overall level of prices in the economy. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Knowledge | |

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| 35. In the early 1920s,   |  |  |  | | --- | --- | --- | |  | a. | Germany experienced a very high rate of inflation. | |  | b. | the quantity of German money was declining rapidly. | |  | c. | the value of German money remained almost constant. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 36. During the early 1920s in Germany, prices   |  |  |  | | --- | --- | --- | |  | a. | doubled annually. | |  | b. | doubled monthly. | |  | c. | tripled monthly. | |  | d. | tripled annually. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Knowledge | |

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| 37. In less than two years in the early 1920s, the cost of a German newspaper rose from 0.30 marks to 70,000,000 marks. This is a spectacular example of   |  |  |  | | --- | --- | --- | |  | a. | market power caused by a change in the country’s standard of living. | |  | b. | market power caused by a single firm controlling the newspaper production. | |  | c. | inflation caused by increased productivity in the economy. | |  | d. | inflation caused by an increase in the quantity of money in the economy. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Application | |

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| 38. One of the 20th century’s worst episodes of inflation occurred in   |  |  |  | | --- | --- | --- | |  | a. | the United States in the 1960s. | |  | b. | Italy in the 1950s. | |  | c. | Russia in the 1930s. | |  | d. | Germany in the 1920s. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Knowledge | |

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| 39. In the United States, the overall level of prices more than doubled during the   |  |  |  | | --- | --- | --- | |  | a. | 1950s. | |  | b. | 1960s. | |  | c. | 1970s. | |  | d. | 1980s. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Knowledge | |

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| 40. President Gerald Ford referred to inflation as   |  |  |  | | --- | --- | --- | |  | a. | a blight on our nation's economy. | |  | b. | a necessary evil to combat high unemployment. | |  | c. | public enemy number one. | |  | d. | a fly in the ointment. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 41. The U.S. president who referred to inflation as “public enemy number one” was   |  |  |  | | --- | --- | --- | |  | a. | Richard Nixon. | |  | b. | Gerald Ford. | |  | c. | Jimmy Carter. | |  | d. | Ronald Reagan. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 42. In which of the following decades was there both high inflation and rapid money supply growth in the US?   |  |  |  | | --- | --- | --- | |  | a. | the 1970’s and the 1990’s | |  | b. | the 1970’s but not the 1990’s | |  | c. | the 1990’s but not the 1970’s | |  | d. | neither the 1970’s nor the 1990’s |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Knowledge | |

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| 43. In the 1990s, inflation in the United States was   |  |  |  | | --- | --- | --- | |  | a. | very close to zero. | |  | b. | about 3 percent per year. | |  | c. | about 6 percent per year. | |  | d. | commonly referred to as “public enemy number one.” |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 44. Large or persistent inflation is almost always caused by   |  |  |  | | --- | --- | --- | |  | a. | excessive government spending. | |  | b. | excessive growth in the quantity of money. | |  | c. | foreign competition. | |  | d. | higher-than-normal levels of productivity. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 45. Which of the following would a permanent increase in the growth rate of the money supply change permanently?   |  |  |  | | --- | --- | --- | |  | a. | inflation | |  | b. | unemployment | |  | c. | both inflation and unemployment | |  | d. | neither inflation nor unemployment |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Application | |

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| 46. Most economists believe that an increase in the quantity of money results in   |  |  |  | | --- | --- | --- | |  | a. | an increase in the demand for goods and services. | |  | b. | lower unemployment in the short run. | |  | c. | higher inflation in the long run. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Application | |

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| 47. In the short run, which of the following rates of growth in the money supply is likely to lead to the lowest level of unemployment in the economy?   |  |  |  | | --- | --- | --- | |  | a. | 3 percent per year | |  | b. | 5 percent per year | |  | c. | 7 percent per year | |  | d. | 9 percent per year |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.102 - Examine the trade-off between inflation and unemployment. | | *TOPICS:* | Price levels | | *KEYWORDS:* | BLOOM'S: Analysis | |

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| 48. In the short run, which of the following rates of growth in the money supply is likely to lead to the highest level of unemployment in the economy?   |  |  |  | | --- | --- | --- | |  | a. | 1 percent per year | |  | b. | 2 percent per year | |  | c. | 3 percent per year | |  | d. | 4 percent per year |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.102 - Examine the trade-off between inflation and unemployment. | | *TOPICS:* | Price levels | | *KEYWORDS:* | BLOOM'S: Analysis | |

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| 49. In the short run, an increase in the money supply is likely to lead to   |  |  |  | | --- | --- | --- | |  | a. | lower unemployment and lower inflation. | |  | b. | lower unemployment and higher inflation. | |  | c. | higher unemployment and lower inflation. | |  | d. | higher unemployment and higher inflation. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.102 - Examine the trade-off between inflation and unemployment. | | *TOPICS:* | Price levels | | *KEYWORDS:* | BLOOM'S: Application | |

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| 50. Suppose the Federal Reserve announces that it will be making a change to a key interest rate to increase the money supply. This is likely because   |  |  |  | | --- | --- | --- | |  | a. | the Federal Reserve is worried about inflation. | |  | b. | the Federal Reserve is worried about unemployment. | |  | c. | the Federal Reserve is hoping to reduce the demand for goods and services. | |  | d. | the Federal Reserve is worried that the economy is growing too quickly. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.102 - Examine the trade-off between inflation and unemployment. | | *TOPICS:* | Price levels | | *KEYWORDS:* | BLOOM'S: Application | |

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| 51. Suppose the Federal Reserve announces that it will be making a change to a key interest rate to decrease the money supply. This is likely because the Federal Reserve is   |  |  |  | | --- | --- | --- | |  | a. | worried about inflation. | |  | b. | worried about unemployment. | |  | c. | hoping to increase the demand for goods and services. | |  | d. | worried that the economy is growing too slowly. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Application | |

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| 52. Low rates of inflation are generally associated with   |  |  |  | | --- | --- | --- | |  | a. | low rates of government spending. | |  | b. | small or nonexistent government budget deficits. | |  | c. | low rates of productivity growth. | |  | d. | low rates of growth of the quantity of money. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 53. Which of the following is the primary cause of inflation?   |  |  |  | | --- | --- | --- | |  | a. | an increase in the quantity of money | |  | b. | an increase in government spending | |  | c. | an increase in unemployment | |  | d. | an increase in productivity |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 54. Which of the following is the most correct statement about the relationship between inflation and unemployment?   |  |  |  | | --- | --- | --- | |  | a. | In the short run, falling inflation is associated with falling unemployment. | |  | b. | In the short run, falling inflation is associated with rising unemployment. | |  | c. | In the long run, falling inflation is associated with falling unemployment. | |  | d. | In the long run, falling inflation is associated with rising unemployment. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.102 - Examine the trade-off between inflation and unemployment. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Application | |

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| 55. Which of the following is an important cause of inflation in an economy?   |  |  |  | | --- | --- | --- | |  | a. | increases in productivity in the economy | |  | b. | the influence of positive externalities on the economy | |  | c. | lack of property rights in the economy | |  | d. | growth in the quantity of money in the economy |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 56. The mainstream view among economists is that   |  |  |  | | --- | --- | --- | |  | a. | society faces a tradeoff between unemployment and inflation, but only in the short run. | |  | b. | society faces a tradeoff between unemployment and inflation, but only in the long run. | |  | c. | society faces a tradeoff between unemployment and inflation, both in the short run and in the long run. | |  | d. | no tradeoff exists between unemployment and inflation, either in the short run or in the long run. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.102 - Examine the trade-off between inflation and unemployment. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Application | |

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| 57. Which of the following claims is consistent with the views of mainstream economists?   |  |  |  | | --- | --- | --- | |  | a. | If we increase the rate of inflation from 3 percent to 6 percent, then the rate of unemployment will temporarily fall. | |  | b. | If we increase the rate of inflation from 3 percent to 6 percent, then the rate of unemployment will temporarily rise. | |  | c. | If we increase the rate of inflation from 3 percent to 6 percent, then the rate of unemployment will permanently fall. | |  | d. | If we increase the rate of inflation from 3 percent to 6 percent, then the rate of unemployment will permanently rise. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.102 - Examine the trade-off between inflation and unemployment. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Application | |

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| 58. For a very long time the country of Zeeland has had an inflation rate of 9%. Suddenly its inflation rate drops to 3%. The drop in the inflation rate   |  |  |  | | --- | --- | --- | |  | a. | could be due to slower money supply growth. We would expect unemployment to be higher. | |  | b. | could be due to slower money supply growth. We would expect unemployment to be lower. | |  | c. | could be due to higher money supply growth. We would expect unemployment to be higher. | |  | d. | could be due to higher money supply growth. We would expect unemployment to be lower. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Application | |

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| 59. For a number of years country A had inflation of 3% but for the last five years has had inflation of 6%. Country B had inflation of 4% for many years, but very recently inflation unexpectedly rose to 9%. Other things the same, in which of the countries would the higher inflation rate be more likely to reduce unemployment?   |  |  |  | | --- | --- | --- | |  | a. | both country A and country B | |  | b. | neither country A nor country B | |  | c. | country A but not country B | |  | d. | country B but not country A |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Challenging | | *LEARNING OBJECTIVES:* | ECON.MANK.102 - Examine the trade-off between inflation and unemployment. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 60. In the early 1980s, U.S. economic policy was directed toward reducing inflation. What would you have expected to observe during this short period of time?   |  |  |  | | --- | --- | --- | |  | a. | Inflation fell and unemployment fell. | |  | b. | Inflation and unemployment were both unaffected. | |  | c. | Inflation fell and unemployment increased. | |  | d. | Inflation fell and unemployment was unchanged. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.102 - Examine the trade-off between inflation and unemployment. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Application | |

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| 61. The relatively low inflation experienced in the United States in the 1990s is attributable to   |  |  |  | | --- | --- | --- | |  | a. | slow growth of U.S. productivity during the 1990s. | |  | b. | slow growth of the quantity of money in the U.S. in the 1990s. | |  | c. | low levels of government spending in the U.S. in the 1980s and 1990s. | |  | d. | the eight-year presidency of William Jefferson Clinton during the 1990s. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 62. During the 1990s, the United Kingdom experienced low levels of inflation while Turkey experienced high levels of inflation. A likely explanation of these facts is that   |  |  |  | | --- | --- | --- | |  | a. | the United Kingdom has a better education system than Turkey. | |  | b. | the rate of growth of the quantity of money was slower in the United Kingdom than in Turkey. | |  | c. | workers in Turkey are more productive than workers in the United Kingdom. | |  | d. | there are more instances of market power in Turkey than in the United Kingdom. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 63. The tradeoff between inflation and unemployment   |  |  |  | | --- | --- | --- | |  | a. | implies that policies designed to reduce unemployment also reduce inflation. | |  | b. | was eliminated by improved economic policies in the 1900s. | |  | c. | is a long-run tradeoff, persisting for decades, according to most economists. | |  | d. | None of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.102 - Examine the trade-off between inflation and unemployment. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 64. Germany could have avoided the high inflation that it experienced in the 1920s by   |  |  |  | | --- | --- | --- | |  | a. | not directing so many of its resources toward preparation for World War II. | |  | b. | not increasing taxes so much on the German middle class. | |  | c. | not allowing the quantity of money to increase so rapidly. | |  | d. | using government policies to stimulate the economy more so than what was done. |  |  |  | | --- | --- | | *ANSWER:* | c | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Price levels Inflation | | *KEYWORDS:* | BLOOM'S: Application | |

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| 65. In the short run, which of the following is *not* correct?   |  |  |  | | --- | --- | --- | |  | a. | Increasing the money supply increases the demand for goods and services. | |  | b. | Increasing the money supply encourages firms to hire more workers. | |  | c. | Lowering the money supply leads to a higher level of unemployment. | |  | d. | Policies that encourage higher employment will also induce a lower rate of inflation. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.102 - Examine the trade-off between inflation and unemployment. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 66. In response to the deep economic downturn in the US in 2008 and 2009, the US   |  |  |  | | --- | --- | --- | |  | a. | reduced taxes. | |  | b. | increased government spending. | |  | c. | increased the supply of money. | |  | d. | All of the above are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.010 - Analyze the relationship between money growth and inflation. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 67. The combination of President Obama’s strategies and the Federal Reserve’s reaction to the deep economic downturn in the US in 2008 and 2009   |  |  |  | | --- | --- | --- | |  | a. | was intended to reduce unemployment. | |  | b. | may lead to excessive inflation over time. | |  | c. | resulted in higher taxes and an increased supply of money. | |  | d. | Both a and b are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.102 - Examine the trade-off between inflation and unemployment. | | *TOPICS:* | Economic thinking | | *KEYWORDS:* | BLOOM'S: Comprehension | |

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| 68. The short-run tradeoff between inflation and unemployment implies that, in the short run,   |  |  |  | | --- | --- | --- | |  | a. | a decrease in the growth rate of the quantity of money will be accompanied by an increase in the unemployment rate. | |  | b. | an increase in the growth rate of the quantity of money will be accompanied by an increase in the unemployment rate. | |  | c. | policymakers are able to reduce the inflation rate and, at the same time, reduce the unemployment rate. | |  | d. | policymakers can influence the inflation rate, but not the unemployment rate. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Difficult | | *LEARNING OBJECTIVES:* | ECON.MANK.102 - Examine the trade-off between inflation and unemployment. | | *TOPICS:* | Inflation Phillips curve Unemployment | | *KEYWORDS:* | BLOOM'S: Application | |

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| 69. The irregular and largely unpredictable fluctuations in economic activity are called   |  |  |  | | --- | --- | --- | |  | a. | market failure. | |  | b. | business cycle. | |  | c. | inflation. | |  | d. | unemployment. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Business cycles | | *KEYWORDS:* | BLOOM'S: Knowledge | |

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| 70. The business cycle is the   |  |  |  | | --- | --- | --- | |  | a. | relationship between unemployment and inflation. | |  | b. | irregular fluctuations in economic activity. | |  | c. | positive relationship between the quantity of money in an economy and inflation. | |  | d. | predictable changes in economic activity due to changes in government spending and taxes. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Business cycles | | *KEYWORDS:* | BLOOM'S: Knowledge | |

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| 71. The business cycle is measured by the   |  |  |  | | --- | --- | --- | |  | a. | production of goods and services. | |  | b. | number of people employed. | |  | c. | the interest rate. | |  | d. | Both a and b are correct. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Business cycles | | *KEYWORDS:* | BLOOM'S: Knowledge | |

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| 72. Both the production of goods and services and the unemployment rate are used to measure   |  |  |  | | --- | --- | --- | |  | a. | the business cycle. | |  | b. | productivity. | |  | c. | the interest rate. | |  | d. | inflation. |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Business cycles | | *KEYWORDS:* | BLOOM'S: Knowledge | |

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| 73. It once took 90 percent of our population to grow our food. It now takes only 3 percent of the population to grow our food. Which of the following statements is true?   |  |  |  | | --- | --- | --- | |  | a. | This loss of jobs has been detrimental to our economy. | |  | b. | The government should provide subsidies to encourage more people to become farmers. | |  | c. | The reduction in the number of farmers explains the increase in the price of food. | |  | d. | This is progress because freed-up labor is used to produce other goods. |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | ECON.MANK.007 - Analyze the factors that affect a country's growth. | | *TOPICS:* | Productivity Economic growth | | *KEYWORDS:* | BLOOM'S: Knowledge | |

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| 74. In a particular country in 2008, the average worker had to work 40 hours to produce 100 units of output. In that same country in 2018, the average worker needed to work 35 hours to produce 94.5 units of output. In that country, the productivity of the average worker   |  |  |  | | --- | --- | --- | |  | a. | increased by 2 percent between 2008 and 2018. | |  | b. | increased by 8 percent between 2008 and 2018. | |  | c. | remained unchanged between 2008 and 2018. | |  | d. | decreased by 2 percent between 2008 and 2018. |  |  |  | | --- | --- | | *ANSWER:* | b | | *DIFFICULTY:* | Difficult | | *LEARNING OBJECTIVES:* | ECON.MANK.282 - Given production data, compare productivity across different years. | | *TOPICS:* | Economic growth Productivity | | *KEYWORDS:* | BLOOM'S: Analysis | |

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| 75. Which of the following rates of growth in the money supply is likely to lead to the lowest level of inflation in the economy?   |  |  |  | | --- | --- | --- | |  | a. | 1 percent per year | |  | b. | 3 percent per year | |  | c. | 5 percent per year | |  | d. | 7 percent per year |  |  |  | | --- | --- | | *ANSWER:* | a | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.102 - Examine the trade-off between inflation and unemployment. | | *TOPICS:* | Price levels | | *KEYWORDS:* | BLOOM'S: Analysis | |

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| 76. Which of the following rates of growth in the money supply is likely to lead to the highest level of inflation in the economy?   |  |  |  | | --- | --- | --- | |  | a. | 1 percent per year | |  | b. | 2 percent per year | |  | c. | 3 percent per year | |  | d. | 4 percent per year |  |  |  | | --- | --- | | *ANSWER:* | d | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | ECON.MANK.102 - Examine the trade-off between inflation and unemployment. | | *TOPICS:* | Price levels | | *KEYWORDS:* | BLOOM'S: Analysis | |