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Date: 2/10/17

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Course:
ECON122_ECON296_16SPRING

Assignment: CHP 20

1. Every homework or study problem includes a set of learning aids positioned in the question help menu in the upper right-hand corner of the exercise window, although the learning aids available may vary from problem to problem.

The eText learning aid will appear with every exercise. It will take you to the page of your textbook that covers the same material as the question you're working on.

Try it now. Click the eText icon, read the definition of economics listed on that page, and then click the answers that correctly complete this statement:

Complete the statement: → Economics is the (1) _____ that studies the choices that individuals, businesses, governments, and entire societies make as they cope with scarcity and the (2) _____ that influence and reconcile our choices.

- | | |
|--------------------------------------|----------------------------------|
| (1) <input type="radio"/> theory | (2) <input type="radio"/> money |
| <input type="radio"/> social science | <input type="radio"/> factors |
| <input type="radio"/> graph | <input type="radio"/> incentives |
| <input type="radio"/> field | <input type="radio"/> limits |

-
2. Which of the following is a topic studied in Macroeconomics?

- A. the price of Dell computers
- B. the wage of auto workers
- C. the amount of pizza produced
- D. gross domestic product

-
3. Which of the following is a topic studied in Macroeconomics?

- A. the decision-making behavior of individual business firms
- B. aggregate behavior of households and industries
- C. the functioning of individual industries
- D. the behavior of individual households

-
4. An increase in the overall price level is known as

- A. inflation.
- B. stagflation.
- C. deflation.
- D. recession.

-
5. Aggregate behavior is

- A. the behavior of each household and firm.
- B. the behavior of each individual.
- C. the behavior of all households and firms together.
- D. none of the above.

6. Deflation occurs when

- A. the unemployment rate declines.
 - B. the economic growth rate declines.
 - C. economic activity declines.
 - D. the average price level declines.
-

7. A period of very rapid increase in the overall price level is known as

- A. depression.
 - B. stagnation.
 - C. stagflation.
 - D. hyperinflation.
-

8. The trend of the economy is

- A. the long run inflation rate.
 - B. the long run unemployment rate.
 - C. the short run production capacity of an economy.
 - D. the long run growth path of the economy.
-

9. The term *business cycle* refers to the

- A. short-term ups and downs in the price level.
 - B. long-term trends in the price level.
 - C. long-term trends in the level of economic activity.
 - D. short-term ups and downs in the level of economic activity.
-

10. A period during which aggregate output rises is known as a(n)

- A. expansion.
 - B. recession.
 - C. hyperinflation.
 - D. inflation.
-

11. A period when the economy shrinks is known as

- A. a recession.
 - B. a slump.
 - C. a contraction.
 - D. all of the above.
-

12. In a business cycle, a peak represents the end of _____ and a trough represents the end of _____.

- A. a depression; an expansion
 - B. a trough; a peak
 - C. a recession; an expansion
 - D. an expansion; a recession
-

13. If the labor force is 500 and employment is 450, then the unemployment rate is

- A. 100%.
 - B. 90%.
 - C. 10%.
 - D. 0%.
-

14. A prolonged and deep recession is called

- A. a stagflation.
 - B. a depression.
 - C. hyperinflation.
 - D. a business cycle.
-

15. Unemployment means that

- A. at the going wage rate, there are people who want to work but cannot find work.
 - B. there is excess demand in the labor market.
 - C. people are not willing to work at the going wage rate.
 - D. there are some people who will not work at the going wage rate.
-

16. Unemployment implies that in the labor market

- A. there is an excess demand for labor.
 - B. there is an excess supply of labor.
 - C. there are too few workers for the jobs available.
 - D. quantity demanded of labor exceeds quantity supplied.
-

17. Macroeconomics is concerned with inflation or deflation, output growth and unemployment.

- True
 - False
-

18. Macroeconomics is concerned with the market price and equilibrium quantity of each good or service.

- True
 - False
-

19. The employment rate is the number of people employed divided by number of people in the labor force.

- True
 - False
-

20. Hyperinflation and stagflation are two different names which refer to identical economic conditions.

- True
 - False
-

21. Macroeconomic behavior is the sum of all the microeconomic decisions made by individual households and firms.

- True
 False
-

22. A recession is usually associated with increasing unemployment.

- True
 False
-

23. An expansion is usually associated with rising price levels.

- True
 False
-

24. A recession is associated with a negative rate of growth of the economy.

- True
 False
-

25. If the central bank decreases the money supply, it is conducting

- A. fiscal policy.
 B. monetary policy.
 C. incomes policy.
 D. supply-side policy.
-

26. Government policies regarding taxes and expenditures are called

- A. fiscal policy.
 B. monetary policy.
 C. supply-side policy.
 D. income policies.
-

27. Policies designed to affect the quantity of money are

- A. monetary policies.
 B. supply side or growth policies.
 C. fiscal policies.
 D. government spending policies.
-

28. The diagram that shows the income received and payments made by each sector of the economy is the

- A. income flow diagram.
 B. circular flow diagram.
 C. aggregate demand-aggregate supply diagram.
 D. income-production diagram.
-

29. In the circular flow diagram, the different payments made by firms to households include

- A. transfer payments and dividends.
 - B. wages and profits.
 - C. interest and taxes.
 - D. taxes and transfer payments.
-

30. A transfer payment is

- A. a cash payment for transferring a good from one person to another.
 - B. an in kind payment for working "off the books."
 - C. a bonus to get a worker to accept a transfer.
 - D. a cash payment made by the government to people who do not supply goods, services or labor in exchange for the payment.
-

31. A household that spends less than it receives in income during a given period is

- A. running a deficit.
 - B. dissaving.
 - C. receiving transfer payments.
 - D. saving.
-

32. The major lesson of the circular flow diagram is that

- A. tax receipts must be equal to transfer payments
 - B. saving must always be less than investment.
 - C. total income in the economy must always equal total spending.
 - D. taxes must always be greater than government expenditures.
-

33. In the goods-and-services market, households

- A. only supply.
 - B. only demand.
 - C. both supply and demand.
 - D. neither supply nor demand.
-

34. The demanders in the goods-and-services market are

- A. households, the government, and the rest of the world.
 - B. households, the government, business firms, and the rest of the world.
 - C. households and business firms.
 - D. the government and business firms.
-

35. In the circular flow diagram, firms _____ labor and households _____ goods and services.

- A. demand; supply.
 - B. demand; demand.
 - C. supply; supply.
 - D. supply; demand.
-

36. In the circular flow diagram, households demand _____ and supply _____.

- A. goods; services.
 - B. labor; goods and services.
 - C. goods and services; labor.
 - D. labor; labor.
-

37. Dividends are

- A. corporate profits distributed among shareholders.
 - B. government profits distributed among bondholders.
 - C. promissory notes issued by corporations.
 - D. capital gains realized by stockholders.
-

38. A capital gain is

- A. the portion of a corporation's profits that the firm pays out each period to its shareholders.
 - B. the difference between an individual's economic income and money income.
 - C. an increase in the value of an asset over the price initially paid for it.
 - D. a financial instrument that gives the holder a share in the ownership of a firm and therefore the right to share in the profits of the firm.
-

39. To get the economy out of a slump, Keynes believed that the government should

- A. increase taxes and/or decrease government spending.
 - B. decrease taxes and/or increase government spending.
 - C. cut both taxes and government spending.
 - D. increase both taxes and government spending.
-

40. Which of the following is an assumption used by Classical economists?

- A. Wages adjust upward but not downward.
 - B. Wages adjust downward but not upward.
 - C. Wages adjust both upward and downward.
 - D. Wages are inflexible.
-

41. According to Classical economists, if the quantity of labor demanded exceeds the quantity supplied, there is a

- A. surplus of labor and wages will fall.
 - B. surplus of labor and wages will rise.
 - C. shortage of labor and wages will fall.
 - D. shortage of labor and wages will rise.
-

42. According to Classical models, the level of employment is determined primarily by

- A. government taxation.
 - B. government spending.
 - C. prices and wages.
 - D. the level of aggregate demand for goods and services.
-

43. According to Keynes, the level of employment is determined by

- A. interest rates.
 - B. flexible wages and prices.
 - C. price and wages.
 - D. the level of aggregate demand for goods and services.
-

44. The concept of "market clearing" is adopted and defended by

- A. Classical economists.
 - B. Keynesian economists.
 - C. fine-tuning economists.
 - D. demand-side economists.
-

45. Rapid increases in the price level during periods of recession or high unemployment are known as

- A. depression.
 - B. inflation.
 - C. stagnation.
 - D. stagflation.
-

46. John Maynard Keynes' most notable published work is entitled

- A. *The Communist Manifesto*.
 - B. *The General Theory of Employment, Interest, and Money*.
 - C. *Freakonomics*.
 - D. *Capitalism Doomed*.
-

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