

Name: _____

AT Economics Midterm Review Packet

1. Assume that a change in government policy results in the increased production of consumer and capital goods. Which statement must necessarily be true?
 - a. There was unemployment and/or inefficient use of resources before the policy change.
 - b. The economy's PPF has been shifted to the left as a result of the policy change.
 - c. The economy's PPF has been shifted to the right as a result of the policy change
 - d. The law of increasing opportunity costs does not apply to this society.
 - e. None of the above are true

2. The demand and the supply curves for a product intersect where which of the following is/are true?
 1. The buying and selling decisions of consumers and producers are consistent with one another.
 2. The market is in equilibrium
 3. There is neither a surplus nor a shortage of the product
 4. Quantity demanded is equal to quantity supplied
 - a. I, II, III, and IV
 - b. I, II, and III
 - c. I and II
 - d. II and III
 - e. IV

3. The short-run Phillips curve is based on the idea that with a constant short-run AS curve, an increase in AD is associated with a
 - a. Shift of the short-run Phillips curve to the left
 - b. Shift of the short-run Phillips curve to the right
 - c. Movement up the short-run Phillips curve
 - d. Movement down the short-run Phillips curve
 - e. No change in the short-run Phillips curve

4. An increase in AS can
 - a. Shift of the short-run Phillips curve to the left
 - b. Shift of the short-run Phillips curve to the right
 - c. Cause a movement up the short-run Phillips curve
 - d. Cause a movement down the short-run Phillips curve
 - e. Produce no change in the short-run Phillips curve

5. Which of the following changes would most likely shift the economy's LRAS?
 - a. The economy's currency appreciates
 - b. Inflation occurs throughout the country
 - c. The price of raw materials decreases
 - d. The economy's money supply increases
 - e. The economy's working-age population increases

6. If the spending multiplier is 3, an increase of \$50 in investment spending will
- Increase RGDP by \$3
 - Increase RGDP by \$50
 - Increase RGDP by \$150
 - Increase RGDP by an indeterminate amount
 - Have no effect on real GDP
7. Use the graph below to answer Questions 7 and 8

The economic model illustrated in the graph is known as:

- Aggregate demand/aggregate supply curve
 - Phillips curve model
 - Money market model
 - Loanable funds model
 - None of the above
8. The change in the supply of money in the graph could have resulted from:
- A decrease in federal income tax rates
 - An increase in federal government spending, financed by borrowing from loanable funds
 - An open-market sale of bonds by the Fed
 - An open-market purchase of bonds by the Fed
 - An increase in federal government spending, financed by taxes
9. In the calculation of GDP, transfer payments are
- Counted as part of government spending
 - Counted as part of consumer spending
 - Counted as part of investment spending
 - Counted as part of imports
 - Not counted
10. If Jo left her job a month before her baby was born and has chosen to be a full-time homemaker and mother ever since, what is her present employment status?
- Unemployed
 - Employed
 - Discouraged worker
 - Underemployed worker
 - Not in the labor force

11. If Ann quits her accounting job two weeks ago for personal reasons, had a job interview last week, but has not heard back from her potential new employer yet, what is her present employment status?

- a. Unemployed
- b. Employed but on a leave of absence
- c. Discouraged worker
- d. Underemployed worker
- e. Not in the labor force

12. Bank of America uses its excess reserves and makes a \$50,000 loan to Company ABC, increasing ABC's checking account by \$50,000. As a result of these transactions, the economy's money supply

- a. Remains unchanged
- b. Decreases by \$5,000
- c. Increases by \$5,000
- d. Increases by \$45,000
- e. Increases by \$50,000

13. Economic growth can be shown as a

- a. Rightward shift of the PPF
- b. Leftward shift of the PPF
- c. Movement from a point on the PPF to a point outside of it
- d. Movement from a point on the PPF to another point on the curve
- e. It cannot be shown using the PPF model

14. Which statement(s) is (are) true in regard to expansionary fiscal policy?

- I. Government spending increases
 - II. Taxes are cut
 - III. Consumption increases
 - IV. Disposable income increases
- a. I only
 - b. I and II only
 - c. I, II, and III only
 - d. I, II, and IV only
 - e. I, II, III, and IV

15. The "market basket" of goods used to calculate the CPI cost \$200 in 1996. The same basket of goods now costs \$250. What is the value of today's CPI?

- a. 50
- b. 100
- c. 125
- d. 150
- e. 250

16. Which of the following effects on an economy's PPF will follow from an increase in the economy's labor supply?

- a. The slope of the curve will increase
- b. The slope of the curve will decrease
- c. The curve will shift inward
- d. The curve will shift outward
- e. The change will not affect the PPF

17. The use of a credit card in a transaction is most like
- Using a check to make a purchase
 - Using cash to make a purchase
 - Obtaining a short-term loan from a commercial bank
 - Increasing the value of money
 - Decreasing the value of money

18. Richland, a large wealthy country, can use its resources to produce 200 widgets per hour or 50 popnuts per hour. Poorland can produce 30 widgets per hour or 15 popnuts per hour. Which of the following describes the best trading possibilities for these two countries?

- Neither economy can benefit from trade
- Richland can benefit by trading popnuts to Poorland for widgets, but there is no benefit to Poorland from such a trade.
- Poorland can benefit by trading widgets to Richland for popnuts, but there will be no benefit to Richland from such a trade.
- Poorland can benefit by trading popnuts to Richland for widgets, but there will be no benefit to Richland from such a trade
- Both economies will benefit if Poorland trades popnuts to Richland for widgets

19. Maria owns and operates a clothing store. She sets the price of a prom dress at \$165. This is an example of the use of money as

- Credit
- A medium of exchange
- A store of value
- A unit of account
- None of the above

20. Based on the data below, what is the size of the labor force?

Total population= 120 million

Working-age population= 75 million

Employed= 45 million

People actively looking for work= 5 million

- 5 million
- 45 million
- 50 million
- 75 million
- 120 million