May 1, 2007

ECON 6901-----Quiz 9

Name: ____________________

1. The aggregate demand curve:
   a. would be little affected by a technological advancement.
   b. shifts to the right when spending decreases.
   c. shifts to the left when there is a decrease in taxes.
   d. cannot move independently of the aggregate supply curve.
   e. shifts to the right when there is an expectation that future income will fall.

2. The aggregate demand curve is downward sloping because:
   a. an increase in the price level will cause an increase in spending.
   b. at lower price levels, real wealth decreases, causing a decrease in the quantities of goods and services demanded.
   c. at lower price levels, interest rates decrease, causing a decrease in the quantities of goods and services demanded.
   d. at lower price levels, exports increase, causing an increase in real GDP.
   e. increases in the price level do not affect people’s real wealth.

3. According to classical theory, if the aggregate demand curve decreased and the economy experienced unemployment, then:
   a. the economy would remain in this condition indefinitely.
   b. the government must increase spending to restore full employment.
   c. prices and wages would fall eventually to restore full employment.
   d. the supply of money would increase until the economy returned to full employment.

4. Along the intermediate range of the aggregate supply curve, an increase in the aggregate demand curve will increase:
   a. both the price level and real GDP.
   b. only real GDP.
   c. only the price level.
   d. real GDP and reduce the price level.

5. If government spending increases, which of the following would be most likely in the short and in the long run? (Both comparisons are with regard to the original price level/output combination, and the AS curve is upward-sloping in the short run and vertical in the long run.)
   a. short-run increases in the price level, no change in output; long-run increases in output and in the price level
   b. short-run decreases in output and in the price level; long-run decreases in output and in the price level
   c. short-run decreases in output and in the price level; long-run increase in the price level, no change in output
   d. short-run increases in output and in the price level; long-run increase in the price level, no change in output
6. In Exhibit 1, the production possibilities curves of wheat and corn for Nabia and Pada are presented. In Nabia the cost of producing one more unit of wheat is equal to:
   a. 4 units of corn.
   b. 1/4 unit of corn.
   c. 15 units of corn.
   d. 60 units of corn.

7. In Exhibit 1, the production possibilities curves of wheat and corn for Nabia and Pada are presented. In Pada the cost of producing one more unit of corn is equal to:
   a. 3 units of wheat.
   b. 1/3 unit of wheat.
   c. 15 units of wheat.
   d. 30 units of wheat.

8. In Exhibit 1, the production possibilities curves of wheat and corn for Nabia and Pada are presented. If these two nations trade, Nabia should specialize in the production of:
   a. corn.
   c. neither product since Pada has the comparative advantage in the production of both.
   d. neither product since Pada has the absolute advantage in the production of both.
   e. wheat.

9. In Exhibit 1, the production possibilities curves of wheat and corn for Nabia and Pada are presented. Suppose Nabia produces at point A on its PPC. How many units of wheat is the country able to produce?
   a. 15.
   b. 60.
   d. 20.
   e. 40.

10. In Exhibit 1, the production possibilities curves of wheat and corn for Nabia and Pada are presented. Suppose Pada produces at point B on its PPC. How much corn is the country able to produce?
    a. 2.
    b. 15.
    c. 10.
    d. 6.
    e. 13.