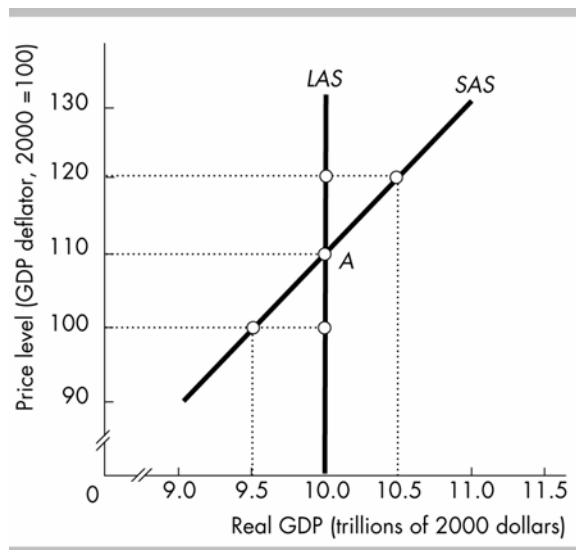


- 1) In the macroeconomic short run,
 - A) actual real GDP may be less than or more than potential GDP.
 - B) the unemployment rate is zero.
 - C) the economy is always moving away from full employment.
 - D) actual real GDP always equals potential GDP.
- 2) If the nominal wage rate is fixed, the short-run aggregate supply curve
 - A) is vertical.
 - B) has a negative slope.
 - C) has a positive slope.
 - D) is horizontal.
- 3) The short-run aggregate supply curve is upward sloping because
 - A) a lower price level creates a wealth effect.
 - B) lower taxes motivate people to work more.
 - C) money wages do not immediately change when the price level changes.
 - D) most business firms operate with long-term contracts for output but not labor.

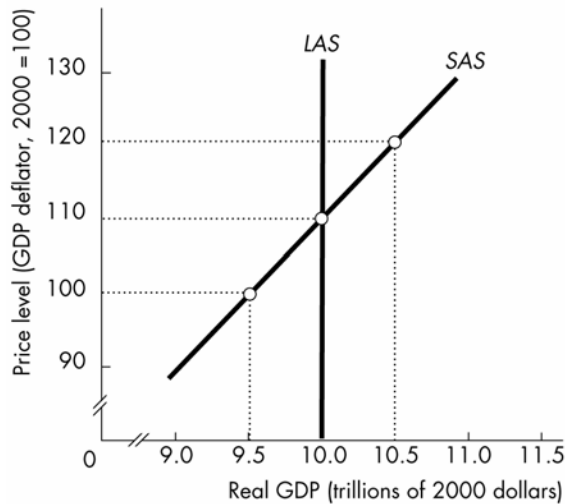
Figure 1



- 4) In **Figure 1**, potential GDP equals
 - A) \$9.5 trillion.
 - B) \$10.0 trillion.
 - C) \$10.5 trillion.
 - D) None of the above answers is correct.
- 5) In **Figure 1**, the economy is at point A when the price level rises to 120. Money wages and other resource prices remain constant. Firms are willing to supply output equal to
 - A) \$9.5 trillion.
 - B) \$10.0 trillion.
 - C) \$10.5 trillion.
 - D) None of the above answers is correct.

- 6) In **Figure 1**, the economy is at point A when the price level falls to 100. Money wages and all other resource prices remain constant. Firms are willing to supply output equal to
- \$9.5 trillion.
 - \$10.0 trillion.
 - \$10.5 trillion.
 - None of the above answers is correct.

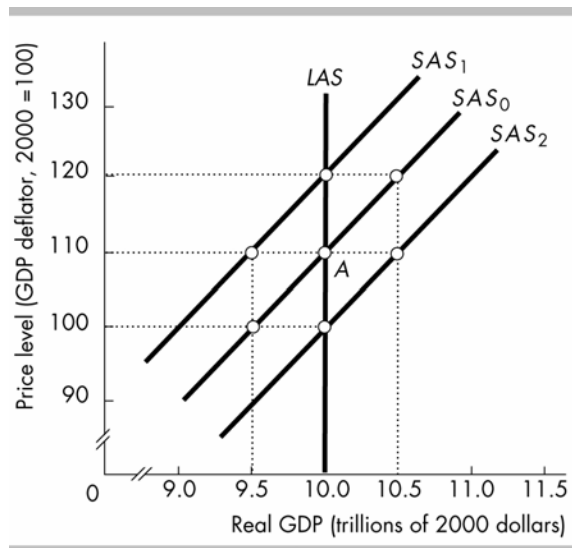
Figure 2



- 7) In **Figure 2**, the economy will be at full employment if the price level
- is 110.
 - is above 110.
 - is below 100.
 - All of the above are possible because the economy will be at full employment at any price level at, above, or below 110.
- 8) A change in the full-employment quantity of labor ____ the short-run aggregate supply curve and ____ the long-run aggregate supply curve.
- shifts; shifts
 - shifts; does not shift
 - does not shift; shifts
 - does not shift; does not shift
- 9) An increase in the amount of human capital labor ____ the short-run aggregate supply curve and ____ the long-run aggregate supply curve.
- shifts; shifts
 - shifts; does not shift
 - does not shift; shifts
 - does not shift; does not shift

- 10) A change in the capital stock ____ the short-run aggregate supply curve and ____ the long-run aggregate supply curve.
- A) shifts; shifts
 - B) shifts; does not shift
 - C) does not shift; shifts
 - D) does not shift; does not shift
- 11) A technological advance ____ the long-run aggregate supply curve and ____ the short-run aggregate supply curve.
- A) shifts; shifts
 - B) shifts; does not shift
 - C) does not shift; shifts
 - D) does not shift; does not shift
- 12) Technological progress will
- A) shift the *LAS* curve rightward but will not shift the *SAS* curve.
 - B) not shift either the *LAS* or the *SAS* curve.
 - C) shift both the *LAS* and *SAS* curves rightward.
 - D) shift the *SAS* curve rightward but will not shift the *LAS* curve.
- 13) The short-run aggregate supply curve shifts because of changes in all of the following EXCEPT
- A) the capital stock.
 - B) technological progress.
 - C) money wage rates.
 - D) the price level.
- 14) A decrease in the money wage rate
- A) increases the long-run aggregate supply.
 - B) decreases the long-run aggregate supply.
 - C) increases the short-run aggregate supply.
 - D) decreases the short-run aggregate supply.
- 15) A change in the money wage rate shifts
- A) both the *SAS* and *LAS* curves.
 - B) the *LAS* curve but not the *SAS* curve.
 - C) the *SAS* curve but not the *LAS* curve.
 - D) neither the *SAS* nor the *LAS* curve.

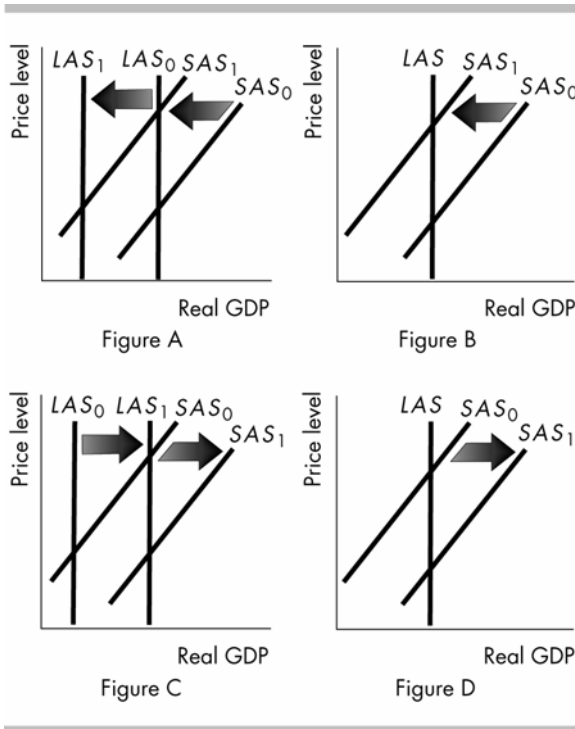
Figure 3



- 16) In **Figure 3**, the economy is at point A when the money wage rate and the price level both fall by 10 percent. Firms will be willing to supply output equal to
- less than \$10.0 trillion
 - \$10.0 trillion
 - more than \$10.0 trillion
 - Without more information, it is impossible to determine which of the above answers is correct.
- 17) In **Figure 3**, the economy is at point A. Then the price level falls to 90 while the money wage rate does not change. Firms will be willing to supply output equal to
- less than \$10.0 trillion
 - \$10.0 trillion
 - more than \$10.0 trillion
 - Without more information, it is impossible to determine which of the above answers is correct.
- 18) In **Figure 3**, the economy is at point A. Then the price level rises to 120 while the money wage rate remains constant. Firms will be willing to supply output equal to
- less than \$10.0 trillion
 - \$10.0 trillion
 - more than \$10.0 trillion
 - Without more information, it is impossible to determine which of the above answers is correct.
- 19) In **Figure 3**, the economy is at point A and the money wage rate falls by 10 percent. If the price level is constant, firms will be willing to supply output equal to
- less than \$10.0 trillion
 - \$10.0 trillion
 - more than \$10.0 trillion
 - Without more information, it is impossible to determine which of the above answers is correct.

- 20) In **Figure 3**, the economy is at point A and the money wage rate rises by 10 percent. If the price level is constant, firms will be willing to supply output equal to
- less than \$10.0 trillion
 - \$10.0 trillion
 - more than \$10.0 trillion
 - Without more information, it is impossible to determine which of the above answers is correct.

Figure 4



- 21) In **Figure 4**, which part corresponds to a destruction of part of the nation's capital stock?
- Figure A.
 - Figure B.
 - Figure C.
 - Figure D.
- 22) In **Figure 4**, which point corresponds to an increase in technology?
- Figure A.
 - Figure B.
 - Figure C.
 - Figure D.
- 23) In **Figure 4**, which part corresponds to an increase in the money wage rate?
- Figure A.
 - Figure B.
 - Figure C.
 - Figure D.

- 24) In **Figure 4**, which part corresponds to a fall in the money wage rate?
- A) Figure A.
 - B) Figure B.
 - C) Figure C.
 - D) Figure D.