

MCQ,^s
B.A second Year (Semester III)
Economics
Paper 105 – Macro–Economics

1. Expansionary monetary policy .

Answer tends to lead to a depreciation of a nation's currency

2. If the number of people classified as unemployed is 20,000 and the number of people classified as employed is 230,000, what is the unemployment rate?

Answer 8%

4. If an individual who cannot find a job because his or her job skills have become obsolete this is an example of

Answer Structural unemployment. .

5. The natural rate of unemployment is generally thought of as the

Answer sum of frictional unemployment and structural unemployment. . 6.
Firms react to unplanned increases in inventories by

Answer Reducing output.

7. The ratio of the change in the equilibrium level of income to a change in some autonomous increase in spending is the

Answer multiplier.

8. Banks can create money

Answer by making loans that result in additional deposits. .

9. A bank has excess reserves to lend but is unable to find anyone to borrow the money. This will _____ the size of the money multiplier.

Answer reduce

10. Which of the following represents an action by the Bank of Canada that is designed to decrease the money supply?

Answer selling government securities in the open market

11. If the interest rate falls, then
Answer bond prices will rise

12. If the quantity of money demanded is less than the quantity of money supplied, then the interest rate will

Answer decrease.

13. Which of the following events will definitely lead to an increase in the equilibrium interest rate?

Answer the sale of government securities by the Bank of Canada

14. If the Bank of Canada reduces the money supply to reduce inflation, a flexible exchange rate will aid the Bank of Canada in fighting inflation because

Answer as the money supply is decreased, the interest rate will increase, and the exchange rate will rise, causing Canadian exports to fall and Canadian imports to rise.

15. When economists refer to "tight" monetary policy, they mean that the Bank of Canada is taking actions that will

Answer contract the supply of money

16. An increase in total production (real GDP) causes the demand for money to _____ and the interest rate to _____.

Answer increase; increase

17. Which of the following actions is an example of expansionary fiscal policy?

Answer a decrease in the corporate profits tax rates

18. The main cause of cyclical unemployment is that

Answer the level of overall economic activity fluctuates.

19. The aggregate demand (AE) curve would shift down if

Answer taxes were increased.

20. As the economy nears full capacity, the short-run aggregate supply curve .

Answer becomes steeper.

21. If the economy is operating at potential GDP, an increase in the money supply will lead to

Answer demand-side inflation.

22. To lower interest rates, the Bank of Canada could

Answer. buy securities.

23. Suppose a Canadian firm imports \$1,000 worth of bananas and sells them for \$2,000. The effect on GDP would be

Answer to increase the value of GDP by \$1,000.

24. An increase in the MPS will cause, other factors remaining constant:

Answer a rotational shift down in the AE-function and a rotational shift up in the L-