

Quiz # 1

ECON 2103A

1. The basic aggregate supply equation implies that output exceeds natural output when the price level is:

- A) low.
- B) high.
- C) less than the expected price level.
- D) greater than the expected price level.

2. According to the sticky-price model, other things being equal, the greater the proportion, s , of firms that follow the sticky-price rule, the _____ the _____ in output in response to an unexpected price increase.

- A) greater; increase
- B) smaller; increase
- C) greater; decrease
- D) smaller; decrease

3. According to the sticky-price model, deviations of output from the natural level are _____ deviations of the price level from the expected price level.

- A) positively associated with
- B) negatively associated with
- C) not related to
- D) equal to

4. Assume that the sacrifice ratio for an economy is 4. If the central bank wishes to reduce inflation from 10 percent to 5 percent, this will cost the economy _____ percent of one year's GDP.

A) 4

B) 5

C) 20

D) 40

5. Along a short-run aggregate supply curve, output is related to unexpected movements in the _____. Along a Phillips curve, unemployment is related to unexpected movements in the _____.

A) price level; inflation rate

B) inflation rate; price level

C) unemployment rate; price level

D) price level; level of output

Answers:

1. D

2. A

3. A

4. C

5. A