

## Practice Questions from February 11th

1. In the short-run, an adverse "supply shock" (i.e., a decrease in SRAS) would result in:
  - (a) a lower rate of inflation and a higher rate of unemployment.
  - (b) a higher rate of inflation and a lower rate of unemployment.
  - (c) a lower rate of inflation and a lower rate of unemployment.
  - (d) a higher rate of inflation and a higher rate of unemployment.
2. Which of the following would be most likely to cause demand-pull inflation?
  - (a) An increase in oil prices.
  - (b) An increase in taxes.
  - (c) A reduction in interest rates.
  - (d) A decrease in government spending.
3. In the short-run, an increase in interest rates would lead to:
  - (a) a higher price level and a lower rate of unemployment.
  - (b) a higher price level and a higher rate of unemployment.
  - (c) a lower price level and a lower rate of unemployment.
  - (d) a lower price level and a higher rate of unemployment.
4. The LRAS curve is:
  - (a) upward sloping.
  - (b) downward sloping.
  - (c) vertical.
  - (d) horizontal.
5. In the long-run, cost-push inflation would lead to the price level being:
  - (a) higher than its original level.
  - (b) lower than its original level.
  - (c) around its original level.
  - (d) the same level as in the short-run.
6. In the long-run, demand-pull inflation would lead to the price level being:
  - (a) higher than its original level.
  - (b) lower than its original level.
  - (c) around its original level.
  - (d) the same level as in the short-run.
7. In the short-run, an increase in oil prices would likely lead to:
  - (a) demand-pull inflation.
  - (b) a reduction in unemployment.
  - (c) "stagflation".
  - (d) an increase in RGDP.

8. The short run in macroeconomics is a period in which nominal wages:
- (a) remain fixed as the price level stays constant.
  - (b) change as the price level stays constant.
  - (c) remain fixed as the price level can change.
  - (d) change as the price level changes.
9. An increase in RGDP could potentially be accompanied by:
- (a) an increase in the price level.
  - (b) a reduction in RGDP per capita.
  - (c) a decrease in the price level.
  - (d) any of the above.
10. The rate of unemployment that prevails at the trend level of RGDP is referred to as the:
- (a) the natural rate of unemployment.
  - (b) the structural rate of unemployment.
  - (c) the frictional rate of unemployment.
  - (d) the expansionary rate of unemployment.