Instructions:

This is the on-line Multiple Choice Quiz for Chapter 6. Please do the following:

Step 1: Go to the special codes section on your score sheet

- Write your section number (1, or 4, or 5) under the letter K. Also fill out the appropriate bubble corresponding to your section number in column K.
- Go to the columns O and P. Enter for this chapter, 0 in the O column, and 6 in the P column. Also fill out the appropriate bubbles below in columns O and P.

Step 2: Enter your university identification number, using numbers and corresponding bubbles.

Step 3: Enter your name, using letters and corresponding bubbles.

Step 4: Answer all 35 questions.

Step 5: Check the important dates link on the class home page for the availability and closing dates for the successive on-line multiple choice quizzes.

Step 6: Hand in your score sheets in class, to your TA’s or to myself, in class, or outside my office, Heady Hall 281, no later than the posted closing date and hour (5 p.m.)

We will use the following grading scale:

A = 35, 34, 33, 32, 31, 30
B = 29, 28, 27, 26, 25, 24
C = 23, 22, 21, 20, 19, 18
D = 17, 16, 15, 14, 13, 12
F = less than 12

Note: All MC quizzes will be discussed in detail in class for each section (1, 4, or 5) prior to the posted Friday 5 p.m. closing date and hour. Bring your printed test and score sheet to that class session for that purpose.
MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) An aggregate supply (AS) curve depicts the relationship between
   A) household expenditures and household income.
   B) the price level and the aggregate quantity supplied.
   C) the price level and nominal GDP.
   D) the price level and the aggregate quantity demanded.

2) The long-run aggregate supply curve shows the
   A) level of real GDP associated with a constant price level.
   B) full-employment level of real GDP.
   C) maximum GDP the nation will ever produce.
   D) level of output for which real GDP equals nominal GDP.

3) Which of the following is true about the long-run aggregate supply curve?
   A) It shows the relationship between the price level and real GDP when wages and other costs are at an equilibrium level.
   B) It is vertical at the level of potential GDP.
   C) It does not shift in response to temporary changes in aggregate demand.
   D) All of the above are true.

4) In the macroeconomic short run,
   A) actual real GDP may be less than or more than potential GDP.
   B) the economy is always moving away from full employment.
   C) the unemployment rate is zero.
   D) actual real GDP always equals potential GDP.

5) 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) most business firms operate with long-term contracts for output but not labor.
   D) money wages do not immediately change when the price level changes.
6) In the figure above, potential GDP equals
   A) $9.5 trillion. 
   C) $10.0 trillion. 
   B) $10.5 trillion. 
   D) None of the above answers is correct.

7) In the figure above, 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) $10.0 trillion. 
   C) $10.5 trillion. 
   B) $9.5 trillion. 
   D) None of the above answers is correct.

8) All of the following shift the LAS curve EXCEPT
   A) an increase in the money wage rate. 
   C) an increase in the stock of human capital. 
   B) a change in the capital stock. 
   D) technological progress.

9) A change in the full-employment quantity of labor ______ the short-run aggregate supply curve and ______ the long-run aggregate supply curve.
   A) shifts; shifts 
   C) shifts; does not shift 
   B) does not shift; shifts 
   D) 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) does not shift; does not shift 
    C) shifts; does not shift 
    B) shifts; shifts 
    D) does not shift; shifts

11) The short-run aggregate supply curve shifts because of changes in all of the following EXCEPT
    A) technological progress. 
    C) the price level. 
    B) money wage rates. 
    D) the capital stock.
12) An increase in the money wage rate
   A) increases the long-run aggregate supply.  B) decreases the short-run aggregate supply.
   C) decreases the long-run aggregate supply.  D) increases the short-run aggregate supply.

13) A change in the money wage rate shifts
   A) both the SAS and LAS curves.  B) the SAS curve but not the LAS curve.
   C) the LAS curve but not the SAS curve.  D) neither the SAS nor the LAS curve.

14) In the above figure, which point corresponds to an increase in technology?
    A) Figure A  B) Figure B  C) Figure C  D) Figure D

15) In the above figure, which part corresponds to an increase in the money wage rate?
    A) Figure A  B) Figure B  C) Figure C  D) Figure D

16) The aggregate demand curve
    A) has a negative slope.  B) has a positive slope.
    C) is horizontal.  D) is vertical.

17) Which of the following changes while moving along the aggregate demand curve?
    A) the amount of money in the economy  B) future profits from investment projects
    C) future incomes of households  D) the price level
18) One reason that the aggregate demand curve has a negative slope is because
   A) firms produce more when the price rises.
   B) people buy fewer goods and save more when the price level rises because their real wealth decreases.
   C) people earn more money when output rises.
   D) The premise of the question is wrong because the aggregate demand curve has a positive slope.

19) The intertemporal substitution effect of prices on aggregate demand
   A) is one reason that the aggregate demand curve has a negative slope.
   B) explains why aggregate demand increases when the amount of money increases.
   C) is one reason that the aggregate demand curve has a positive slope.
   D) is the same as the real wealth effect.

20) An increase in the price level decreases net exports, thereby decreasing the amount of real goods and services purchased in the United States. This phenomenon is known as
   A) the barner effect.                               B) the GDP effect.
   C) a substitution effect.                           D) the wealth effect.

21) In the above figure, the economy initially is at point B. Then price level rises by 10. The wealth effect will help
   A) move the economy to point D.                     B) move the economy to point C.
   C) move the economy to point A.                     D) keep the economy at point B.

22) In the above figure, the economy initially is at point C. Then the domestic price level rises by 10. A
   A) wealth effect would help move the economy to point B.
   B) substitution effect would keep the economy at point C.
   C) substitution effect would help move the economy to point B.
   D) substitution effect would help move the economy to point D.
23) Which of the following does NOT shift the aggregate demand curve?
   A) an increase in the price level  B) a decrease in the money supply
   C) an increase in investment  D) a decrease in taxes

24) A fall in the expected future inflation rate
   A) decreases the aggregate quantity demanded.  B) decreases aggregate demand.
   C) increases aggregate demand.  D) increases the aggregate quantity demanded.

25) An increase in government purchases of goods and services
   A) decreases aggregate demand.  B) increases the aggregate quantity demanded.
   C) decreases the aggregate quantity demanded.  D) increases aggregate demand.

26) Higher taxes
   A) increase the aggregate quantity demanded.  B) decrease the aggregate quantity demanded.
   C) increase aggregate demand.  D) decrease aggregate demand.

27) An increase in the quantity of money
   A) decreases the aggregate quantity demanded.  B) increases aggregate demand.
   C) decreases aggregate demand.  D) increases the aggregate quantity demanded.

28) A rise in the foreign exchange rate of the dollar
   A) increases the aggregate quantity demanded.  B) decreases aggregate demand.
   C) decreases the aggregate quantity demanded.  D) increases aggregate demand.

29) A decrease in foreign incomes
   A) increases the aggregate quantity demanded in the United States.
   B) decreases the aggregate quantity demanded in the United States.
   C) increases aggregate demand in the United States.
   D) decreases aggregate demand in the United States.

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<th>Price Level</th>
<th>Aggregate demand (trillions of 1996 dollars)</th>
<th>Short-run aggregate supply (trillions of 1996 dollars)</th>
<th>Long-run aggregate supply (trillions of 1996 dollars)</th>
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30) The data in the above table indicate that when the price level is 120,
   A) the unemployment rate is at its equilibrium level.
   B) inventories fall and the price level rises.
   C) the economy is in a long-run macroeconomic equilibrium.
   D) inventories rise and the price level falls.
31) The data in the above table indicate that the economy will be in a long-run macroeconomic equilibrium at a price level of
A) 100. 
B) 120. 
C) 110. 
D) 90.

32) In the above figure, at the point where AD equals SAS,
A) the unemployment rate is zero. 
B) potential GDP exceeds real GDP. 
C) the economy is in a recession. 
D) real GDP exceeds potential GDP.

33) In the above figure, as the economy adjusts toward equilibrium, the
A) AD curve will shift rightward. 
B) SAS curve will shift rightward. 
C) SAS curve will shift leftward. 
D) AD curve will shift leftward.

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34) The data in the above table show that the economy will be in a short-run macroeconomic equilibrium at a price level of
A) 120. 
B) 110. 
C) 90. 
D) 100.

35) The data in the above table show that when the price level is 120,
A) the long-run aggregate supply curve will shift leftward in the future. 
B) the unemployment rate is below its full-employment level. 
C) money wages rates will rise in the future. 
D) the unemployment rate is above its full-employment level.