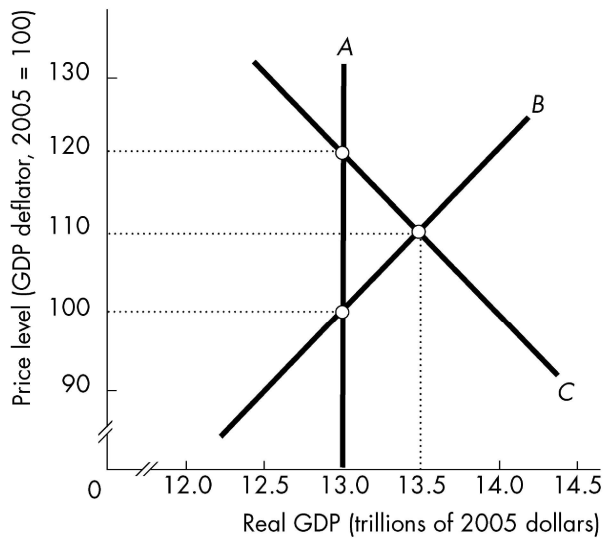
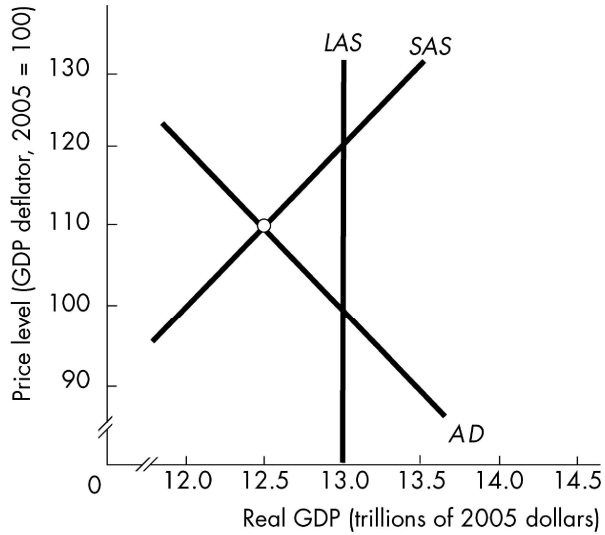


Choose the one alternative that best completes the statement or answers the question.

- 1) The supply of real GDP is a function of 1) _____
 A) the quantities of labor, capital and the state of technology.
 B) the total expenditures of consumers, investors and government.
 C) the sum of wages, salaries, corporate profits, rents and interest.
 D) only the state of technology.
- 2) The long-run aggregate supply (LAS) curve 2) _____
 A) has a positive slope. B) is vertical.
 C) has a negative slope. D) is horizontal.
- 3) The aggregate demand curve shows 3) _____
 A) that real income is directly (positively) related to the price level.
 B) the quantity of real GDP demanded at different price levels.
 C) total expenditures at different levels of national income.
 D) All of the above answers are correct.
- 4) The aggregate demand curve 4) _____
 A) is horizontal. B) is vertical.
 C) has a negative slope. D) has a positive slope.

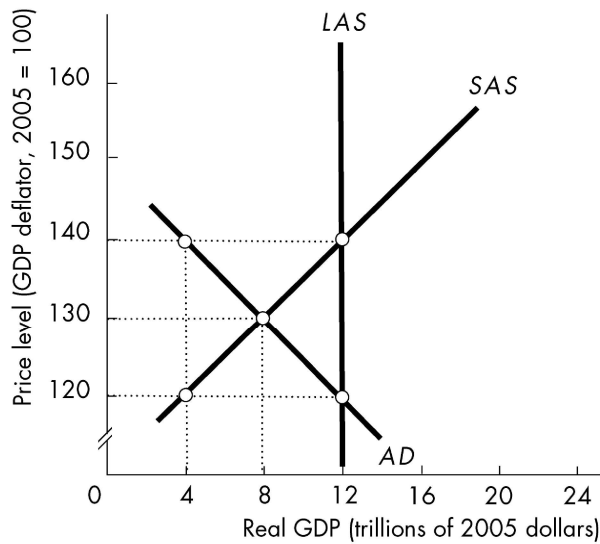


- 5) In the above figure, curve A is the _____ curve, curve B is the _____ curve, and curve C is the _____ curve. 5) _____
 A) aggregate demand; short-run aggregate supply; long-run aggregate supply
 B) long-run aggregate supply; short-run aggregate supply; aggregate demand
 C) short-run aggregate supply; long-run aggregate supply; aggregate demand
 D) long-run aggregate supply; aggregate demand; short-run aggregate supply



- 6) In the figure above, in the short-run macroeconomic equilibrium,
- A) real GDP equals potential GDP.
 - B) real GDP is greater than potential GDP.
 - C) there is no structural unemployment.
 - D) real GDP is less than potential GDP.

6) _____



- 7) In the above figure, at the price level of 140 and real GDP of
- A) \$4 trillion, consumers will not be able to buy all the goods and services they demand.
 - B) \$4 trillion, firms will not be able to sell all their output.
 - C) \$12 trillion, firms will not be able to sell all their output.
 - D) \$12 trillion, consumers will not be able to buy all the goods and services they demand.

7) _____

- 8) Based on the figure above, short-run equilibrium occurs at the price level of
- A) 130 and real GDP of \$12 trillion.
 - B) 140 and real GDP of \$12 trillion.
 - C) 130 and real GDP of \$8 trillion.
 - D) 120 and real GDP of \$4 trillion.

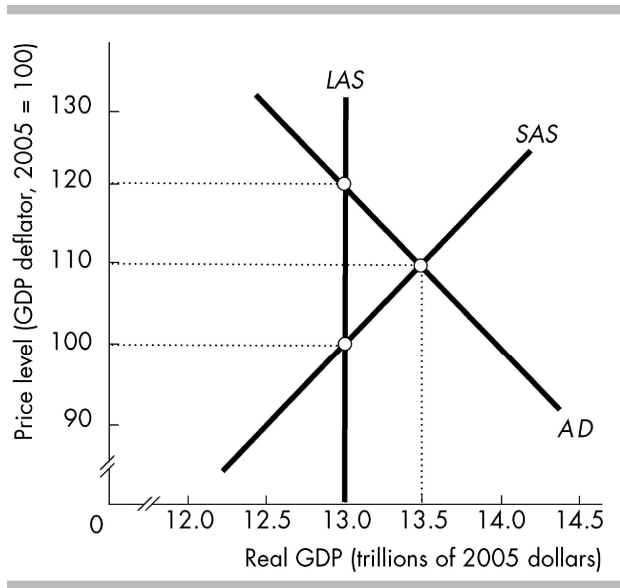
8) _____

- 9) The data in the above figure indicate that the economy will be in a long-run macroeconomic equilibrium at a price level of _____
 A) 100. B) 140. C) 130. D) 120.
- 10) An economy is at full employment. Which of the following events can create a recessionary gap? _____
 A) a decrease in the quantity of capital B) a decrease in money wages
 C) an increase in foreign income D) an increase in taxes
- 11) If aggregate demand decreases and neither short-run nor long-run aggregate supply changes, then _____
 A) in the long run, the long-run aggregate supply will decrease.
 B) there is an inflationary gap.
 C) there is a recessionary gap.
 D) the price level increases in the short-run and decreases in the long-run.
- 12) If the economy is in long run equilibrium and then aggregate demand increases, in the long run the _____
 increase in aggregate demand means that the
 A) real GDP will be larger but the price level will be unaffected.
 B) the price level will be higher and real GDP will be larger.
 C) price level will be higher but real GDP will be unaffected.
 D) neither the price level nor real GDP will be unaffected.
- 13) In the long-run equilibrium, an increase in the quantity of capital leads to _____
 A) a decrease in the equilibrium price level, but no change in equilibrium real GDP.
 B) an increase in the equilibrium price level and an increase in equilibrium real GDP.
 C) no change in the equilibrium price level, but an increase in equilibrium real GDP.
 D) a decrease in the equilibrium price level and an increase in equilibrium real GDP.

| Price level | Aggregate demand (trillions of 2005 dollars) | Short-run aggregate supply (trillions of 2005 dollars) | Long-run aggregate supply (trillions of 2005 dollars) |
|-------------|--|--|---|
| 140 | 4 | 8 | 7 |
| 130 | 5 | 7 | 7 |
| 120 | 6 | 6 | 7 |
| 110 | 7 | 5 | 7 |
| 100 | 8 | 4 | 7 |

- 14) The data in the above table show that when the price level is 120, if aggregate demand does not change then the _____
 A) short-run aggregate supply curve will shift leftward.
 B) long-run aggregate supply curve will shift leftward.
 C) long-run aggregate supply curve will shift rightward.
 D) short-run aggregate supply curve will shift rightward.
- 15) In the short run, a rightward shift of the short-run aggregate supply curve _____ real GDP and _____ the price level. _____
 A) increases; raises B) decreases; raises
 C) decreases; lowers D) increases; lowers

Write your answer in the space provided or on a separate sheet of paper.



16) In the above figure, what is the short-run equilibrium real GDP and the short-run equilibrium price level?