

## Chapter 1 A Tour of the World

- 1) A high rate of growth of productivity is:
- A) associated with a large government budget deficit.
  - B) measured by looking at the growth in output per worker.
  - C) associated with a decrease in the standard of living of a country.
  - D) associated with a decrease in the unemployment rate.
  - E) measured by looking at the growth in inputs.

Answer: B

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-1

- 2) An expansion represents:
- A) a simultaneous increase in economic activity and reduction in inflation.
  - B) an increase in the unemployment rate.
  - C) a decrease in output.
  - D) an increase in stock prices.
  - E) a reduction in the unemployment rate.

Answer: E

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-1

- 3) Fluctuations refer to:
- A) changes in stock prices.
  - B) deviations of stock prices from their fundamental values.
  - C) alternating periods of expansions and recessions.
  - D) movements in prices.
  - E) an increase in the unemployment rate.

Answer: C

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-1

- 4) Policy makers can become concerned if the unemployment rate is too low because:
- A) inflation might increase.
  - B) stock prices will fall.
  - C) output will decrease.
  - D) an exchange rate crisis might occur.
  - E) output will increase.

Answer: A

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-1

5) A comparison of the annual average growth rate of real output for the periods 1980-1999 and the period from 2000-2007 in Canada shows:

- A) the recent increase in growth rates is due to large increases in capital formation.
- B) the growth rates have decreased.
- C) the growth rates are basically the same.
- D) the level of real output fell from 2000-2007.
- E) the level of real output fell from 1980-1999

Answer: C

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-2

6) Which of the following factors are identified by economists as causing higher unemployment in Europe relative to unemployment in North America?

- A) relatively low unemployment benefits
- B) relatively low level of worker protection
- C) lower labour costs
- D) adequate macroeconomic policies
- E) inadequate macroeconomic policies

Answer: E

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-4

7) Which of the following countries by 2002 were included in the same common currency area?

- A) Mexico and the United States
- B) Spain and France
- C) Japan and China
- D) United Kingdom and France
- E) Canada and France

Answer: B

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-4

8) At what point could the Euro be used as currency?

- A) January 1, 2000
- B) January 1, 1998
- C) January 1, 1999
- D) January 1, 2002
- E) January 1, 2004

Answer: D

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-4

9) Which of the following conditions has NOT occurred in Japan in the past decade?

- A) a reduction in stock prices
- B) a reduction in the rate of growth of output
- C) deflation
- D) economic boom
- E) recession

Answer: D

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-6

10) Deflation represents:

- A) an increase in the unemployment rate.
- B) a reduction in the aggregate price level.
- C) a recession.
- D) a reduction in output.
- E) an increase in the aggregate price level.

Answer: B

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-4

11) The usual unemployment rate in Canada:

- A) has risen in the last 40 years.
- B) is usually around 20%.
- C) is usually around 10%.
- D) rises in an expansion and falls in a recession.
- E) has fallen in the last 40 years.

Answer: A

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-2

12) The unemployment rate in Canada:

- A) is usually lower than the unemployment rate in the United States.
- B) is usually higher than the unemployment rate in Europe.
- C) is higher in a recession.
- D) is lower in a recession.
- E) is higher in an expansion.

Answer: C

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-2

13) In Canada, government budget deficits:

- A) declined after 1965.
- B) declined after 1975.
- C) declined after 1985.
- D) declined after 1995.
- E) declined after 2004.

Answer: D

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-2

14) In the United States, Canada and Europe in the 2000s, relative to the 1980s-1990s:

- A) all countries had relatively low inflation.
- B) all countries had relatively high inflation.
- C) all countries had relatively rapid output growth.
- D) all countries had large government budget deficits.
- E) all countries had relatively low unemployment rates.

Answer: A

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-3

15) In the past 25 years, the average rate of real growth of output in China has been:

- A) 2%.
- B) 5%.
- C) 8%.
- D) 12%.
- E) 14%.

Answer: C

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-5

16) A comparison of the annual average inflation rate for the periods 1980-1999 and the period from 2000-2007 in Canada shows:

- A) the recent increase is due to large open market operations.
- B) the inflation rates have decreased.
- C) the inflation rates are basically the same.
- D) the inflation rate increased from 2000-2007.
- E) the inflation rate fell from 1980-1999.

Answer: B

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-2

17) In the United States, the average price of a house fell by 20%. The behaviour of house prices is relevant because:

- A) as houses fell in value, there are more reasons to build more new houses.
- B) if the value of a house falls below the outstanding loan, the borrower wants to repay the mortgage quickly.
- C) Americans felt poorer and reduced consumption.
- D) if the value of a house falls below the outstanding loan, banks can make more profits.
- E) if the value of a house falls below the outstanding loan, bonds held by investment banks increase in value.

Answer: C

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-3

18) The housing crisis in the United States is called the "sub-prime" mortgage meltdown. "Sub-prime" borrowers are:

- A) borrowers with relatively low incomes and risky jobs.
- B) borrowers with relatively high incomes and risky jobs.
- C) borrowers with relatively low incomes and non-risky jobs.
- D) borrowers with relatively high incomes and non-risky jobs.
- E) borrowers with average incomes and risky jobs.

Answer: A

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-3

19) China's rapid growth in recent years is often claimed to be responsible for:

- A) the recession in Japan.
- B) increases in commodity prices.
- C) housing crisis in the United States.
- D) budget deficits in Canada.
- E) the formation of the European Union.

Answer: B

Diff: 1 Type: MC

Skill: Recall

Section Ref.: 1-5

20) From the period 1980-1999 to 2000-2007, the output growth rate has \_\_\_\_\_ and the unemployment rate has \_\_\_\_\_ in China.

- A) increased; increased
- B) decreased; increased
- C) increased; remained constant
- D) decreased; remained constant
- E) increased; decreased

Answer: C

Diff: 2 Type: MC

Skill: Recall

Section Ref.: 1-5