Multiple Choice

Identify the letter of the choice that best completes the statement or answers the question. Use a #2 pencil to darken in the space on your scantron sheet that corresponds to the answer you think is correct. You only need to turn in your scantron.

___ 1. In the aggregate demand-aggregate supply model, economic growth can be illustrated by an
   a. outward shift of the aggregate demand curve.
   b. inward shift of the aggregate demand curve.
   c. inward shift of the aggregate supply curve.
   d. outward shift of the aggregate supply curve.

Aggregate demand and supply curves have been widely used to analyze the performance of the macroeconomy. Figure 4-3 shows four diagrams that represent different changes in the macroeconomy. Choose the diagram that best represents the situation described in the following question.

Figure 4-3

___ 2. Which graph in Figure 4-3 best represents the supply-side shock of the 1974-75 oil crisis?
   a. 1
   b. 2
   c. 3
   d. 4

___ 3. A rightward shift in the aggregate demand curve will result in
   a. inflation and an increase in national output.
   b. recession and a decrease in the price level.
   c. an increase in national output and a decrease in the price level.
   d. a decrease in national output and inflation.

___ 4. You can generally distinguish an aggregate supply-caused recession from an aggregate demand-caused recession because
   a. national output will rise in an aggregate supply recession.
   b. the price level will fall in an aggregate supply recession.
   c. the price level will fall in an aggregate demand recession.
   d. national output will rise in an aggregate demand recession.
5. Stagflation occurs when which of the following happens?
   a. aggregate supply shifts inward.
   b. aggregate supply shifts outward.
   c. aggregate demand shifts outward.
   d. aggregate demand shifts inward
MULTIPLE CHOICE

1. A or D
2. A
3. A
4. C
5. A