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. Which of the following is not part of the gross private domestic investment component of GDP?
   a. residential construction
   b. equipment purchased by firms
   c. net imports purchased by consumers
   d. business structures built by firms

2. Consider the economy summarized in Table 8-1. This economy has no government (anarchy, baby!). The equilibrium level of output in this economy is
   a. 2,500.
   b. 3,000.
   c. 3,500.
   d. 4,000.

3. In the basic Keynesian expenditure model, only a change in GDP produced will cause a movement along the expenditure function. An increase in the price level causes expenditures on GDP to fall. Graphically, what is the effect of an increase in the price level on the expenditure function?
   a. There will be movement to the left along the expenditure function.
   b. There will be movement to the right along the expenditure function.
   c. The expenditure function will shift downward.
   d. The expenditure function will shift upward.

4. As the U.S. labor force grows and the nation's capital stock is augmented (improved) by investment, the
   a. price level will rise.
   b. aggregate supply curve shifts inward.
   c. aggregate supply curve shifts outward.
   d. aggregate supply curve becomes steeper.

5. The aggregate demand and aggregate supply curves intersect
   a. always at potential GDP.
   b. always below potential GDP.
   c. always above potential GDP.
   d. at a point which may or may not be equal to potential GDP.
Econ 201 Quiz 5
Answer Section

MULTIPLE CHOICE

1. C
2. B
3. C
4. C
5. D