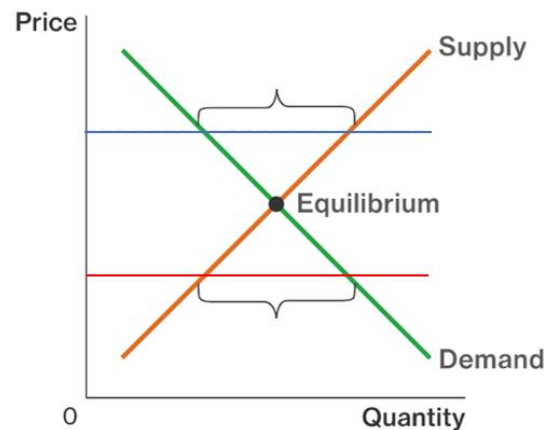


ECO 2301 – Practice Questions (Part 1)

- Q1. Efficiency wages do what?
- A. Keep workers happy and content.
 - B. Motivates high level employees to be more productive.
 - C. Retains high skilled workers by paying them more to incentivize them to not quit.
 - D. All of the above.
- Q2. Which of the following describes structural unemployment?
- A. When there are not enough jobs to supply the work force.
 - B. Only lasts a couple of months.
 - C. Employees quit to find jobs they prefer.
 - D. It is longer term.
 - E. A&D.
- Q3. Which of the following describes frictional unemployment?
- A. Its faster to find than structural unemployment.
 - B. Employees switch to more preferred jobs that suit them best.
 - C. Its short term.
 - D. All of the above.

- Q4a. What does this structural unemployment graph show? (Blue line).
- A. The graph shows a shortage in jobs.
 - B. The graph shows a shortage in workers.
 - C. The graph shows a surplus in jobs.
 - D. The graph shows a surplus in workers.

- Q4b. What is it called when the line is below the equilibrium? (Red line).
- A. Surplus
 - B. Equal
 - C. Shortage
 - D. Inequality



- Q5. Define Investment in the Business Aspect?
- A. Thinking about the future
 - B. Saving money in the bank
 - C. Buying capital
 - D. All of the above
- Q6. Define Money Supply?
- A. All the money in your wallet
 - B. All the money investment in banks under savings accounts
 - C. All the money in the world
 - D. None of the above

ACADEMIC CENTER FOR EXCELLENCE
LEARNING TEAM

Q7. Which of the following defines Federal Funds Rate?

- A. When the banks borrow from each other
- B. When the banks borrow from the government
- C. When the banks give money away to the people
- D. Interest rate that the federal bank charges all banks

Q8. Which of the following defines Discount rate? (Hint: Think opposites).

- A. When banks borrow from other banks
- B. When the banks borrow from the federal reserves
- C. Finding the present value of a loan
- D. Getting coupons for bond interest rates.

Q9. Look at this list.

- i. Storage value
- ii. Unit of account
- iii. Trade
- iv. To make more money

What are the 3 basic functions of money?

- A. i, ii, iv
- B. ii, iii, iv
- C. i, iii, iv
- D. i, ii, iii,

Q10. What determines productivity and growth rate?

Q11. How can public policy affect growth and living standards?

Q12. Why does productivity matter for living standards?

Q13. Define diminishing returns?

- A. Profits holding more value than before.
- B. The dollar holding less value in the future than today.
- C. A temporary increase in the first year and a steady decrease of profits as years go by.
- D. An infinite increase of profits with no signs of decreasing

Q14. What is another way for a country to invest in new capital?

- A. Foreign Portfolio Investment
- B. Foreign Direct Investment
- C. Foreign Exchange Rate
- D. Multinational Entity

ACADEMIC CENTER FOR EXCELLENCE
LEARNING TEAM



Q15. Investment financed with foreign currency but operated by domestic residents is called?

- A. Multinational Enterprise
- B. Diminishing Returns
- C. Foreign Portfolio Investment
- D. Foreign Direct Investment

Q16. How can companies invest in their human capital aka employees?

- A. Giving them a higher pay raise
- B. Increasing an employee's level of skills by either schooling or training
- C. Giving employees more days off
- D. All of the above

Q17 Free trade is known to be a good thing because?

Q18. Inward-oriented policies can be described as all of the following except?

- A. Aim to raise living standard by avoiding interaction with other countries.
- B. Does not need to depend on other countries.
- C. Tariffs, import restriction, import substitution, and limits on investment abroad
- D. Following internal chain of command

Q19. Outward-oriented policies can be described as all of the following except?

- A. Eliminates restriction for free trade and foreign investments.
- B. Increases economic growth in poorer countries.
- C. Promotes integration with the world economy.
- D. Coping what other companies in the industry are doing.

Q20. What are bonds?

- A. A bond is a certificate of indebtedness.
- B. A contract that says you are now the owner of this company.
- C. A piece of paper that says you're infinitely rich.
- D. All of the above

Q21. What is a stock?

- A. A stock is a claim to partial ownership to a firm.
- B. A piece of paper that with time gives you back your initial investment with interest, if you decide to sale
- C. A & B
- D. None of the above

Q22. The _____ is the bond buyer, the bond giver is the _____.

- A. Lender; Borrower
- B. Borrower; Lender

Solutions:

1. D
2. E
3. D
4. 4a. D 4b. C
5. C
6. B
7. A
8. B
9. D
10. How much a country can product goods and services.
11. Tariffs and import barriers can decrease a countries growth rate and living standards since less money is flowing into it. Free trade borders and no tariffs increase a countries growth rate and living standards.
Explanation with example: If there is a reduction in exportation of oil for example in America gas prices will rise and the amount of money people have will decrease affecting the living standards in America, in this case the wealth percentage will go down.
12. Because the more productivity a country is the higher the GDP meaning the richer it is so theoretically the living standards should be high.
Explanation: (Growth in productivity is the key determinant of growth in living standards)
13. C
14. B
15. C
16. B
17. Helps save land space if not aiding to produce every product a country needs when we can just buy from another country.
You can make it, trade it, take it, or find it
Increases economic growth and GDP, benefits many major companies in spending less on workers in USA with higher employees right than China with lower employee rights, more financially affordable.

18. D
19. D
20. A
21. C
22. B

Resources:

Khan Academy <https://www.khanacademy.org/economics-finance-domain/macroeconomics>

Investopedia: <https://www.investopedia.com/terms/m/macroeconomics.asp>

Disclaimer: We did not include all of the resources conferred to formulate this handout. We encourage students to conduct further research to find additional resources. The format of this list is not commensurate with a standard format.