Introduction to Macroeconomics · M5 · 2013-14

Multiple choice questions for Problem Set 1

1. Which sentence is not false?
(a) GDP at constant prices is a nominal variable.
(b) Population is not a real variable.
(c) Real GDP may be smaller than nominal GDP.
(d) The CPI inflation rate minus the GDP deflator plus the population multiplied by the rate of change of real GDP per capita divided by the base period is twice the base period minus the rate of change of nominal GDP per capita minus the GDP deflator inflation rate plus the CPI.

2. If the GDP deflator goes up and nominal GDP goes down, then
(a) real GDP goes down.
(b) real GDP goes up.
(c) real GDP remains constant.
(d) nominal GDP goes up.

3. Which variables are related by definition?
(a) Nominal GDP and population growth rate
(b) Real GDP and GDP deflator
(c) GDP deflator inflation rate and CPI
(d) None of the above

4. In which case are the two variables flow variables?
(a) The amount of wealth at a given point in time and the rate of growth of real GDP.
(b) Population at a given point in time and the inflation rate.
(c) Nominal GDP and real GDP per capita.
(d) None of the above

5. Which sentence is not true?
(a) The rate of growth of real GDP may be smaller than the rate of growth of nominal GDP.
(b) The rate of growth of nominal GDP may be higher than the inflation rate.
(c) The rate of growth of real GDP per capita cannot be negative.
(d) The CPI inflation rate may be different from the GDP deflator inflation rate.

6. If nominal GDP is 600 and the CPI is 20, then the real GDP
(a) is $600/20 = 30$.
(b) is $600 \cdot 20 = 12{,}000$.
(c) is necessarily 600 if the period considered is different from the base period.
(d) cannot be determined.

7. Which of the following variables measures the general price level of an economy?
(a) The output gap
(b) The nominal GDP divided by the real GDP
(c) The nominal GDP per capita
(d) None of the above

8. In which case the two variables are not nominal variables?
(a) The GDP deflator and the CPI
(b) The nominal GDP per capita and the proportion of the population not having a job
(c) Population and the proportion of the population having a job
(d) None of the above

9. Real GDP necessarily rises if
(a) nominal GDP rises.
(b) the GDP deflator falls.
(c) nominal GDP falls and the GDP deflator increases.
(d) None of the above

10. In which case does a rise in the first variable necessarily cause a fall in the second variable?
(a) CPI inflation rate and potential GDP
(b) GDP deflator and nominal GDP per capita
(c) Real GDP and nominal GDP
(d) None of the above

11. Real GDP and real GDP per capita have in common that both are
(a) estimates of the underground economy.
(b) variables without units.
(c) stock variables.
(d) None of the above

12. Which of the following variables can be taken as a good measure of the aggregate production in an economy?
(a) The output gap
(b) Nominal GDP divided by real GDP
(c) The inflation rate or real GDP per capita
(d) None of the above

13. By definition of CPI-based inflation rate, that the CPI-based inflation rate rises means that
(a) the general price level diminishes.
(b) the population increases.
(c) the GDP deflator necessarily goes up.
(d) None of the above

14. The base period CPI is 100, it is 110 in period 2, and it is 100 in period 3. From period 2 to 3, the CPI inflation rate
(a) cannot be calculated.
(b) is 0%.
(c) is 10%.
(d) is negative.

15. Which sentence is not true?
(a) GDP at constant prices may fall and, at the same time, GDP at current prices may rise.
(b) Real GDP is always smaller than nominal GDP.
(c) If nominal GDP rises and the GDP deflator diminishes, then real GDP increases.
(d) Real GDP and nominal GDP may be equal.

16. Which variable cannot be negative?
(a) The inflation rate
(b) The change in the inflation rate
(c) The nominal GDP growth rate
(d) None of the above

17. Which pair of variables cannot both simultaneously grow?
(a) The CPI and the GDP deflator
(b) Population and real GDP per capita
(c) Nominal GDP and real GDP
(d) None of the above

18. Identify the sentence that is not false.
(a) A stock variable could be a flux variable.
(b) A disinflation necessarily implies a deflation.
(c) The CPI is only valid as a price level in the long run.
(d) None of the above

19. Which sentence is not false?
(a) The real GDP per capita growth rate is smaller than the nominal GDP growth rate.
(b) The GDP deflator inflation rate is the nominal GDP per capita growth rate minus the CPI inflation rate.
(c) The CPI inflation rate can never be equal to the GDP deflator inflation rate.
(d) The GDP deflator is a price index.

20. In which case all the variables are real variables?
(a) GDP at constant prices, GDP deflator, output gap
(b) Population, a flow variable, CPI
(c) A stock variable, nominal GDP, real GDP per capita
(d) None of the above

21. If the GDP deflator inflation rate is positive, then
(a) if the initial period for the calculation of the inflation rate is the base period, nominal GDP is higher than real GDP.
(b) the inflation rate associated with the CPI must necessarily be negative.
(c) nominal GDP and real GDP have not changed.
(d) None of the above

22. Which matching between a macroeconomic variable and the property it could be used to measure is not valid?
(a) Real GDP and size of an economy.
(b) Inflation rate and purchasing power of money.
(c) Real GDP per capita and standard of living in an economy.
(d) None of the above

23. Which sentence is logically impossible?
(a) Simultaneously, GDP deflator goes up, nominal GDP goes down, and real GDP goes up.
(b) Simultaneously, the population rises, the inflation rate falls, and GDP at current prices goes up.
(c) Real GDP per capita increases while population also increases.
(d) None of the above

24. Suggest four multiple choice questions different from the previous ones.