BUSN 10th edition Kelly Test Bank

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TRUE/FALSE

1 : In the context of federal debt, if spending is lower than revenue, the government incurs a budget deficit.
A : true
B : false

Correct Answer : B

2 : In the context of monetary policy, when the Fed reduces the discount rate, banks will have to obtain funds at a higher cost.
A : true
B : false

Correct Answer : B

3 : Socialist economies tend to have high taxes, which are designed to distribute wealth more evenly through society.
A : true
B : false

Correct Answer : A

4 : Socialism is an economic system that encourages privatization and believes that all enterprises should be publicly owned.
A : true
B : false

Correct Answer : B

5 : Deflation refers to a period of falling average prices across an economy, which is a sign of economic trouble that goes hand-in-hand with very high unemployment.
A : true
B : false

Correct Answer : A

6 : Reserve requirement is a rule of the Fed which requires that all of its member banks hold funds which are more than the stated percentage of the deposits held by their customers.
A : true
B : false

Correct Answer : B

7 : A drawback of communism, which was adopted by some countries in the 1900s, was the inability of people to make basic choices such as where to work or what to buy.
A : true
B : false

Correct Answer : A

8 : The amount of input divided by the amount of output equals productivity.

A : true
B : false

Correct Answer : B

9 : Gross Domestic Product (GDP) levels tend to be somewhat understated, since they dont include any illegal activities, which can represent a significant portion of some countries production.
A : true
B : false

Correct Answer : A

10 : The consumer market basket of goods and services, in which the consumer price index (CPI) measures the change in weighted-average price over time, is created by the U.S. Bureau of Labor Statistics.
A : true
B : false

Correct Answer : A

11 : Gross Domestic Product (GDP) measures the total value of all the imports and exports of a nation on a quarterly basis.
A : true
B : false

Correct Answer : B

MULTIPLE CHOICE

12 : The United States goes through a period of recession because of the continuous decrease in the nations gross domestic product. The Fed intervenes and improves the situation by reducing the discount rate. This move by the Fed will result in:
A : banks obtaining funds at a lower cost.
B : a rise in the interest rates of bank loans.
C : individuals getting discouraged to borrow money and spend it.
D : a drop in the availability of loans to consumers.

Correct Answer : A

13 : Normander Corp. is a large media corporation that owns all the media outlets in Liecheben and a few news agencies internationally. Any new media company that tries to establish itself in Liecheben soon runs out of business because of the overpowering presence of Normander Corp. This scenario exemplifies _____.
A : pure competition
B : monopoly
C : monopolistic competition
D : oligopoly

Correct Answer : B

14 : The Fed:
A : decreases the money supply when the economy contracts.
B : performs banking services for commercial banks in districts where it operates.
C : calculates the expected expenditure for the federal government every year.
D : outlines expected revenue that is due from the collection of taxes and fees.

Correct Answer : B

15 : In the context of monetary policy, the Fed is most likely to reduce the discount rate during:
A : inflations.
B : periods of investment recovery.
C : periods of low money supply.
D : recessions.

Correct Answer : D

16 : During a period of inflation in the United States, the Federal Reserve sells treasury bonds. Buyers of these bonds write checks to the Fed, and the Fed cashes these checks from banks. Given this information, the banks will most likely:
A : increase the loan amount.
B : increase the discount rate.
C : cut back on the loans they make.
D : cut back on the discount rate.

Correct Answer : C

17 : The economic situation in Lanceberg, an African country, slowly picks up after a severe financial downturn. Over a period of 12 months, businesses begin to expand and employment levels begin to rise. The markets in the country are also vitalized as consumers begin to engage in normal buying behavior. In this scenario, the economy of Lanceberg is currently in the _____.
A : recovery phase
B : relapse phase
C : contraction phase
D : inflation phase

Correct Answer : A

18 : Ronnie works on a part-time basis for a company that provides home repair and maintenance services. Ronnie is specialized in handling the central heating systems in homes and is therefore needed to be at work only during the winter. Other than that, he is mostly unemployed for the rest of the year. In this scenario, the form of unemployment faced by Ronnie is _____.
A : seasonal unemployment
B : structural unemployment
C : periodical unemployment
D : cyclical unemployment

Correct Answer : A

19 : In the context of monetary policy, if the Fed decreases the reserve requirement, _____.
A : there will be more loans available
B : the availability of credit will decrease
C : banks must hold more funds

D : interest rates will increase

Correct Answer : A

20 : In the context of monetary policy, _____ is a rule set by the Fed, which specifies the minimum amount of funds a bank must hold, expressed as a percentage of the banks deposits.
A : full-reserve banking
B : the statutory framework
C : the reserve requirement
D : statutory liquidity ratio

Correct Answer : C

21 : A newly appointed government in the United States requests Congress to raise the amount of money that the government can borrow. This borrowed money is intended to be used to cover the costs of the major policies that it plans to implement. In this scenario, the government has asked the Congress to hike its _____.
A : discount rate
B : fiscal cliff
C : debt ceiling
D : down payment

Correct Answer : C

22 : _____ are market structures with one company as the supplier of a product because the nature of that product makes a single supplier more efficient than multiple, competing ones.
A : Monopolies
B : Oligopolies
C : Pure competitions
D : Natural monopolies

Correct Answer : D

23 : The country of Ukanturk has been facing an economic downturn for two consecutive years. To revive the financial condition of the country, its government tries to influence the economy through taxation and spending decisions. These measures are designed to encourage growth and increase employment. In this scenario, the government of Ukanturk is implementing its _____.
A : monetary policy
B : fiscal policy
C : investment policy
D : supply-side policy

Correct Answer : B

24 : Brontsky & Co., a member bank of the Fed, receives a notice from the Fed that notifies that it must hold funds equal to 15% of the deposits held by its customers. In this scenario, the 15% is the _____.
A : capital adequacy ratio
B : capital requirement
C : reserve requirement
D : statutory liquidity ratio

Correct Answer : C

25 : In the context of open market operations, when inflation is a concern, the Fed sells securities to buyers who write checks to the Fed to pay for securities they bought, and the Fed withdraws these funds from banks. With fewer funds, _____.
A : credit becomes tighter
B : banks increase the number of loans they make
C : the money supply increases
D : the inflationary pressures in the economy heat up

Correct Answer : A

26 : The Board of Governors of the Federal Reserve holds a meeting to discuss its concern over the decreasing gross domestic product of the country. All members agree that the situation can be brought under control and the economy can be stimulated if they use the discount rate as a tool. In this scenario, the Fed is most likely to:
A : reduce the discount rate.
B : maintain the existing discount rate.
C : increase the discount rate.
D : slash the discount rate altogether.

Correct Answer : A

27 : Macroeconomics involves the study of:
A : spatial changes in the population of a country.
B : the gross domestic product of a country.
C : the competitive aspects of identical products.
D : family incomes in a given region.

Correct Answer : B

28 : The funds of Lutsan City Bank decreased after the Federal Reserve cashed the checks that it received after selling government securities. As a result, the bank had to cut back on its loan offerings as it did not have sufficient funds to provide loans. This scenario exemplifies _____.
A : open market operations
B : market monetarism
C : reflation
D : articles of incorporation

Correct Answer : A

29 : Following a contraction in the economy, the government of Geri, a South American country, decides to increase the money supply in the country. The government wants to first tally the M1 form of money supply. In this context, the government will most likely use _____ to tally the M1 form of money supply.
A : bonds and certificates of deposit
B : money market accounts
C : savings accounts
D : metal coins and paper bills

Correct Answer : D

30 : Real gross domestic product (GDP) measures the total value of final goods and services

produced within a nations physical boundaries over a given period of time, adjusted for:
A : a loss of workforce.
B : recession.
C : inflation.
D : a rise in unemployment.

Correct Answer : C

31 : Larry is part of the Board of Governors that manages U.S. monetary policy. He has been elected by the President to serve a single 14-year term. In addition to setting the monetary policy, he is responsible for extending banking services to commercial banks. In this scenario, Larry is most likely part of the _____.
A : Federal Reserve
B : Department of Commerce
C : Bureau of Economic Analysis
D : U.S. Treasury

Correct Answer : A

32 : During an especially difficult year of weakening financial conditions, the government of Geriva, a European nation, borrows money to meet its legal obligations. However, once the borrowed amount reaches a certain limit, the government is not allowed to borrow more money. This is because the government has hit the _____.
A : fiscal cliff
B : reserve requirement
C : debt ceiling
D : price ceiling

Correct Answer : C

33 : The government in the town of Rodenham has granted exclusive rights to a few telecommunications companies to operate in specific geographic areas. The companies have to provide their services in the areas allotted to them, and no company is allowed to extend its services to the areas allotted to its competitors. This system has been put in place because it would be inconvenient for each company to build its own infrastructure in all areas. The given scenario exemplifies:
A : pure competition.
B : a natural monopoly.
C : monopolistic competition.
D : an oligopoly.

Correct Answer : B

34 : During a period of grave financial crisis in the United States, Congress is pressurized to raise the limit on the maximum amount of money the government can borrow. Congress increases the limit on the condition that it will implement sharp tax hikes and across-the-board spending cuts to compensate for the raise and to ensure that the overall budget deficit decreases. In this scenario, the measures implemented by Congress will most likely create:
A : the fiscal cliff.
B : a reserve requirement.
C : the debt ceiling.
D : an earmark.

Correct Answer : A

35 : Which of the following is a negative factor that affects socialist economic systems?
A : Excessive private ownership of healthcare services
B : Absence of a tax structure
C : Inefficiencies and corruption
D : Lack of government ownership of key enterprises

Correct Answer : C

36 : The government of the South Asian nation of Albana is unable to maintain the electronics business effectively because of slack in management and lack of skilled employees. It sells the business to a company called Ramington Electricals. The company has no association with the government and operates on its own terms. The sale of the government-owned electronics business to Ramington Electricals is an example of _____.
A : privatization
B : globalization
C : a joint venture
D : a coalition

Correct Answer : A

37 : In the context of the fundamental principles of a free market system, the _____ is associated with the point at which the quantity demanded of a product equals the quantity supplied.
A : fiscal price
B : intermediate price
C : parity price
D : equilibrium price

Correct Answer : D

38 : _____is a form of unemployment that involves layoffs during recessions.
A : Cyclical
B : Isochronal
C : Periodical
D : Seasonal

Correct Answer : A

39 : New Tapan, an African country, invested resources in the defense sector, and as a result, its budget deficit grew. To decrease the budget deficit, the government cut down its expenditures in several other sectors and imposed higher taxes. In this scenario, the measures implemented by the government of New Tapan most likely created _____.
A : the fiscal cliff
B : a reserve requirement
C : the debt ceiling
D : an earmark

Correct Answer : A

40 : In the context of fundamental principles of a free market system, which of the following statements is true of a supply curve?

A : It shows the relationship between price and quantity from a supplier standpoint.
B : It refers to the point where the supply of products starts exceeding demand due to excessive production.
C : It shows the relationship between price and quantity from a buyer standpoint.
D : It refers to the point where the supply of products is no longer possible due to exhaustion of resources.

Correct Answer : A

41 : Giovani, a baker, makes exactly 20 loaves of brown bread each day. These loaves of bread are delivered to the 20 individuals who have placed an order with him. The quantity associated with such a demand and supply pattern is called _____.
A : a vector quantity
B : the reserve requirement quantity
C : the equilibrium quantity
D : a latent quantity

Correct Answer : C

42 : The country of Trevanvia goes through a period of recession, which leaves a large number of people unemployed due to extensive layoffs by companies. The companies use the strategy of job termination to cut down their costs and reduce their output as the people are now more cautious with their spending. In the given scenario, the layoffs that take place exemplify _____.
A : seasonal unemployment
B : structural unemployment
C : frictional unemployment
D : cyclical unemployment

Correct Answer : D

43 : In the context of open market operations, when inflation is a concern, the Federal Reserve _____ government securities.
A : buys
B : borrows
C : sells
D : withholds

Correct Answer : C

44 : A(n) _____ is a structure for allocating limited resources.
A : dynamical system
B : credit system
C : economic system
D : accounting system

Correct Answer : C

45 : Which of the following tools is most frequently used by the Fed to expand and contract the money supply in the economy?
A : Open market operations
B : Credit default swaps
C : Endowment mortgages
D : Steering taxes

Correct Answer : A

46 : In the context of monetary policy, when the economy is weak, the Fed:
A : withdraws funds from banks.
B : asks banks to cut back on the loans they make.
C : helps reduce inflationary pressures in the economy.
D : buys government securities on the open market.

Correct Answer : D

47 : Ancusia, an East Asian country, was plagued by war and corruption for several years. This led to poor economic conditions, and the government was compelled to borrow funds from other nations. Because of the slow economic growth in the country, the government could repay only 15% of its debts. In this scenario, the amount that the government is yet to repay is known as _____.
A : the federal debt
B : a budget surplus
C : the debt brake
D : a revenue deficit

Correct Answer : A

48 : A capitalist system depends on fair competition among businesses to:
A : be consistent with the goals of socialism.
B : ease the buying and selling of government securities.
C : guarantee that every individual business earns profits.
D : drive higher quality and lower prices.

Correct Answer : D

49 : When Congress agreed to raise the debt ceiling during the economic meltdown in the United States in 2011, it temporarily averted a shutdown crisis, but the deal they reached to do so created the _____.
A : risk-return relationship
B : fiscal cliff
C : bottom-up budgeting
D : niche barrier

Correct Answer : B

50 : Which of the following is a difference between inflation and deflation?
A : The Federal Reserve buys government securities when inflation is a concern, whereas the Federal Reserve sells government securities when deflation is a concern.
B : Inflation increases the unemployment rate, whereas deflation decreases the unemployment rate.
C : A high level of inflation is bad for the economy, whereas a high level of deflation signifies a healthy economy.
D : Inflation is a period of rising average prices across the economy, whereas deflation is a period of falling average prices across the economy.

Correct Answer : D

51 : In the context of fundamental principles of a free market system, which of the following statements is true of a demand curve?
A : It shows the relationship between price and quantity from a producer standpoint.
B : It refers to the point where the supply of products starts exceeding demand due to excessive production.
C : It shows the relationship between price and quantity from a customer standpoint.
D : It refers to the point where the supply of products is no longer possible due to exhaustion of resources.

Correct Answer : C

52 : The economic system of the East Asian nation of Xinzen calls for public ownership of all businesses. The government has complete control over the market, and individuals do not have individual rights and the freedom to make choices. In this scenario, the economic system followed by Xinzen is _____.
A : socialism
B : distributism
C : capitalism
D : communism

Correct Answer : D

53 : Identify a true statement about the Federal Reserve.
A : It is headed by a 15-member Board of Governors.
B : It manages the monetary policy of the United States.
C : It is restricted from performing banking services for commercial banks.
D : It operates under immense political pressure.

Correct Answer : B

54 : Which of the following statements best defines the producer price index (PPI)?
A : It measures the change over time in the prices that businesses pay each other for goods and services.
B : It refers to the quantity of products that consumers are willing to buy at different market prices.
C : It measures the change in weighted-average price over time in a consumer market basket of goods.
D : It refers to a standard equation that is used to determine the resources needed to produce a certain quantity of goods.

Correct Answer : A

55 : In a business cycle, the_____is the transition period between contraction and expansion.
A : recession
B : recovery
C : disinflation
D : deflation

Correct Answer : B

56 : The government of Laslow, an Asian nation, earned more revenue than its total expenditure in the last fiscal year. Given this information, the government of Laslow incurred a _____.

A : revenue backlog
B : revenue deficit
C : debt brake
D : budget surplus

Correct Answer : D

57 : The U.S. government uses the consumer price index (CPI) and the producer price index (PPI) to evaluate:
A : budget surplus.
B : discount rates.
C : productivity.
D : inflation.

Correct Answer : D

58 : _____is a market structure with just a single producer completely dominating the industry.
A : Oligopoly
B : Monopoly
C : Monopolistic competition
D : Pure competition

Correct Answer : B

59 : Glasvania, a European country, experiences a period of economic downturn that results in high unemployment. With most of its citizens out of work and having limited money to spend, the countrys economy is dictated by low sales. Given the situation, all buyers are compelled to reduce their prices by a large margin. This scenario exemplifies _____.
A : stagflation
B : inflation
C : deflation
D : disinflation

Correct Answer : C

60 : The controversial $700 billion economic bailout plan passed by Congress in early October 2008 was called the _____.
A : American Recovery and Reinvestment Act
B : Troubled Assets Relief Program
C : Clayton Antitrust Act
D : NCUA Corporate Stabilization Program

Correct Answer : B

61 : The economic system of the United States is called _____.
A : capitalism
B : communism
C : socialism
D : mercantilism

Correct Answer : A

62 : In the context of the fundamental principles of a free market system, which of the following statements is true of the equilibrium price?
A : Market prices adjust toward the point where the supply curve and the demand curve intersect.
B : The break-even point denotes the profit margin that a seller makes over the cost price of a product.
C : It is the point at which the final cost of production equals the price of the raw materials used for a product.
D : It refers to a situation where the cost price of a product is equal to its selling price.

Correct Answer : A

63 : Olivia is a part-time worker at a jam-producing company in her village. Her job entails plucking and cleaning grapefruits. Because grapefruits grow only in winter, Olivia is unemployed for most part of the year. The given scenario exemplifies _____.
A : seasonal unemployment
B : frictional unemployment
C : classical unemployment
D : cyclical unemployment

Correct Answer : A

64 : Troboli is a North American country. The total value of all final goods and services produced in Troboli in the last fiscal year was 3.3% more than the year before that. This growth placed Troboli in a better position compared with most of its allies. In this scenario, the total value of all final goods and services through which the economic condition of Troboli was assessed is known as _____.
A : net present value
B : gross domestic product
C : profit margin
D : windfall profit

Correct Answer : B

65 : Prior to formulating its annual budget, the government of the Asian country of Florenesia employs a number of individuals to look into the overall productivity of the country. These individuals are responsible for studying the economy in terms of goods and services, revising some of the taxation policies, and gauging the employment rate. Given this information, these individuals are studying _____.
A : heterodox economics
B : managerial economics
C : microeconomics
D : macroeconomics

Correct Answer : D

66 : In a business cycle, the_____is a period of robust economic growth and high employment.
A : expansion
B : recovery
C : disinflation
D : contraction

Correct Answer : A

67 : Microeconomics focuses on:
A : the employment rate in a country.
B : individual businesses.
C : the gross domestic product of a country.
D : taxation policies.

Correct Answer : B

68 : In 1982, the total expenditure of the government of Kargenia, a European country, exceeded its revenue by a substantial amount. This forced the government of Kargenia to borrow funds to meet its legal obligations. In this scenario, the government of Kargenia incurred a _____ in 1982.
A : revenue deficit
B : budget deficit
C : debt brake
D : revenue backlog

Correct Answer : B

69 : The cosmetics industry in the district of Dunkenburg has many competing companies that sell personal care products. However, each company manufactures products that correspond to different income groups. The products are also different in terms of their uses. Which of the following market structures is existent in the cosmetics industry in Dunkenburg?
A : Pure competition
B : Monopoly
C : Monopolistic competition
D : Oligopoly

Correct Answer : C

70 : A giant telecommunications company that was previously owned by the government of Sunzabia, a European country, is sold to an independent industrialist to ensure that the company is handled in a more efficient way. This scenario exemplifies _____.
A : privatization
B : globalization
C : a joint venture
D : a coalition

Correct Answer : A

71 : In the context of planned economies, countries that adopted communism most likely developed:
A : individualism and narcissistic values among people.
B : a plethora of choices regarding jobs and buying options.
C : a free market system for services.
D : crippling shortages and surpluses.

Correct Answer : D

72 : Logers, a high-end apparel company in Bruslon, an Asian country, cuts back on production as consumers start turning to basic products such as food because of the economic downturn in

the country. The company also lays off many of its employees to further cut down expenses. In this scenario, Logers has implemented these cost-cutting measures to accommodate the phase of _____ in Bruslon.
A : economic recovery
B : economic contraction
C : economic integration
D : economic expansion

Correct Answer : B

73 : Keltica, a country in Asia, enjoyed a period of great economic boom in the 1980s. The country had robust economic growth, high employment, and abundant business investments during this period. In the context of the business cycle, the economy of Keltica was in _____ during the 1980s.
A : a depression
B : the contraction phase
C : a recession
D : the expansion phase

Correct Answer : D

74 : The district of Dansas in Nerito, a European country, is a major producer of walnuts. All producers in the district sell packaged walnuts. The market structure is flexible enough for producers to enter and leave the market as and when they wish, but no single producer has control over the prices of the product. Which of the following market structures is existent in Dansas?
A : Pure competition
B : Monopoly
C : Monopolistic competition
D : Oligopoly

Correct Answer : A

75 : Rochester, an Asian country, follows an economic system that facilitates private ownership. The countrys economy is based on economic freedom and fair competition. Given this information, the economic system followed by Rochester is _____.
A : socialism
B : totalitarianism
C : capitalism
D : communism

Correct Answer : C

76 : The term _____ refers to the quantity of products that producers are willing to offer for sale at different market prices.
A : repository
B : stockpile
C : supply
D : cache

Correct Answer : C

77 : The _____ was an $825 billion economic stimulus package, passed by Congress, designed

to turn the economy by cutting taxes, building infrastructure, and investing in green energy.
A : American Recovery and Reinvestment Act
B : Troubled Assets Relief Program
C : Clayton Antitrust Act
D : NCUA Corporate Stabilization Program

Correct Answer : A

78 : Which of the following is a difference between the supply curve and the demand curve?
A : The supply curve maps price on the y-axis, whereas the demand curve maps quantity on the y-axis.
B : Unlike the demand curve, the supply curve for most goods and services slopes downward as it moves to the right.
C : The supply curve maps quantity on the x-axis, whereas the demand curve maps price on the x-axis.
D : Unlike the supply curve, the demand curve for most goods and services slopes downward as it moves to the right.

Correct Answer : D

79 : The West Asian country of Quinland is experiencing an economic downturn because of a decrease in its gross domestic product for two consecutive quarters. In this scenario, Quinland is most likely facing an _____.
A : economic recession
B : economic expansion
C : economic depression
D : economic integration

Correct Answer : A

80 : Which of the following is a similarity between socialism and communism?
A : They both allow freedom in work choices for the people.
B : They are both strongly involved with the government.
C : They both allow free market systems.
D : They both have low taxation policies.

Correct Answer : B

81 : Denver wants to start an industrial products manufacturing company, but he finds it difficult to enter the market as it is already dominated by a single producer who controls product quality and product prices. Given this information, Denver is unable to enter the market because of the existence of _____.
A : pure competition
B : monopoly
C : monopolistic competition
D : oligopoly

Correct Answer : B

82 : In the context of price levels, which of the following measures is used by the government to evaluate inflation?
A : The seller pricing rank
B : The consumer price index

C : The price-weighted activity index
D : The knowledge pricing rank

Correct Answer : B

83 : The government of Lenzerbia, a country in South Asia, monitors its inflation rate using an index that measures change over time in the prices that businesses pay to each other for goods and services. In this scenario, the Lenzerbian government most likely uses the _____ to evaluate inflation.
A : prices received index
B : consumer price index
C : cost-of-living index
D : producer price index

Correct Answer : D

84 : In the context of monetary policy, which of the following statements is true of the discount rate?
A : The Fed increases it during recessions.
B : When the cost of acquiring funds from the Fed is low, interest rates on bank loans tend to fall.
C : When the Fed increases it, banks can obtain funds at a lower cost.
D : It is the interest rate that the Fed charges on its loans to individuals.

Correct Answer : B

85 : The Kingsabode Daily is a community news agency that distributes newspapers to the residents of Kingsabode County. To meet the demand and to ensure that there is zero wastage of resources, the news agency prints 250 newspapers that are distributed in the 250 homes in the county. The price associated with such a demand and supply pattern is called the _____.
A : parity price
B : producer price
C : equilibrium price
D : basic price

Correct Answer : C

86 : The economy of Sutanvia is under severe financial distress. However, over the last few months, the economy has gradually picked up, and employment levels are slowly rising back to normal levels. Consumers are also beginning to engage in regular buying activities. In this scenario, the economy of Sutanvia is currently in the _____ phase of its business cycle.
A : recovery
B : relapse
C : expansion
D : contraction

Correct Answer : A

87 : Anoush used to work for an investment firm. Although she liked her job, she had to resign because it took her a lot of time to commute to work. After resigning, she searched for a job, and within a month, she found a better job that was closer to her home. This scenario exemplifies _____.
A : seasonal unemployment

B : structural unemployment
C : frictional unemployment
D : cyclical unemployment

Correct Answer : C

88 : The gross domestic product (GDP) of Trelinberg, a South American nation, has been decreasing for the past eight years. The long period of consecutive decreases in the GDP has led to high unemployment rates in Trelinberg. In the given scenario, the economy of Trelinberg is most likely in _____.
A : a recession
B : a depression
C : deflation
D : hyperinflation

Correct Answer : B

89 : Danny is a citizen of Finiz, a North American country. He is able to run his handicraft business without any intervention from the government because Finiz has an economic system that encourages private ownership. He is able to make independent decisions for his business and has the freedom to decide the prices of his products. In this scenario, Finiz most likely has a _____.
A : socialist economy
B : totalitarian economy
C : capitalist economy
D : communist economy

Correct Answer : C

90 : Over the past 30 years, most economies of the world have begun moving toward the market end of a spectrum that ranges from pure planned economy at one extreme to pure market economy at the other. This has led to:
A : more investments on human services such as free healthcare and education subsidies.
B : a reduction in incentives for both domestic and foreign investment.
C : stronger centralized government control over businesses.
D : reduced red tape in socialist governments.

Correct Answer : D

91 : Aidan is a college student. As part of his economics project, he has to collect data on the consumption patterns of the households in his locality. In this scenario, Aidan is most likely involved in the study of _____.
A : heterodox economics
B : complexity economics
C : microeconomics
D : macroeconomics

Correct Answer : C

92 : Denise is a hard worker, but she has always had differences with her boss, Angela. Angela has recently become more demanding and is often unwilling to provide clarification on project requirements. After many long working days with little job satisfaction, Denise submits her resignation. She knows that her rsum is strong and feels confident that she will find another job.

In this scenario, Denise is facing _____.
A : seasonal unemployment
B : structural unemployment
C : frictional unemployment
D : cyclical unemployment

Correct Answer : C

93 : In the context of the various degrees of competition, which of the following statements is true of oligopoly?
A : It is a market structure that has many competitors selling virtually identical products.
B : Oligopolies typically avoid intense price competition.
C : The agriculture industry is an example of oligopoly.
D : It has a single producer completely dominating the industry, leaving no room for competitors.

Correct Answer : B

94 : _____refers to Federal Reserve decisions that shape the economy by influencing interest rates and the supply of cash.
A : Fiscal policy
B : Monetary policy
C : Revenue policy
D : Deficit policy

Correct Answer : B

95 : Gregory is a typist at a corporate firm. When the company adopted a special voice recognition software for the purpose of documentation, Gregorys job became inessential. Therefore, he was laid off. The increased use of technology in most companies makes Gregorys skills inessential, and he remains unemployed for a long time. In the given scenario, Gregory is facing _____.
A : seasonal unemployment
B : structural unemployment
C : frictional unemployment
D : cyclical unemployment

Correct Answer : B

96 : Irkholm, a South American nation, experiences an economic downturn that leads to an increase in average prices across the country. The situation becomes more serious when average prices increase more than 50% per month. In the given scenario, Irkholm is experiencing _____.
A : disinflation
B : hyperinflation
C : asset price inflation
D : deflation

Correct Answer : B

97 : The central banking system in the country of Darmos issues a notice to all its commercial banks stating that they must possess funds that are equal to 48% of the deposits held by their customers. In the given scenario, the central banking systems notice exemplifies _____.
A : full-reserve banking

B : the statutory framework
C : the reserve requirement
D : statutory liquidity ratio

Correct Answer : C

98 : Timothy, a staff member at a university, wants to purchase a house. As he does not have sufficient funds, he is forced to take a loan. Given his low credit score, it is highly unlikely that he will be able to repay the borrowed money. In this scenario, Timothy should apply for a(n) _____.
A : subsidized loan
B : subprime mortgage loan
C : endowment mortgage loan
D : concessional loan

Correct Answer : B