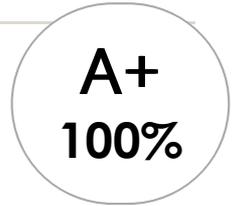


18 Multiple choice questions



1. occurs when the rate of inflation and the rate of unemployment rise simultaneously
 - a. cost-push inflation
 - b. inflation rate
 - c. **CORRECT:** stagflation
 - d. inflation

2. refers to the quantity of goods and services the economy can produce with a given amount of inputs such as capital and labour
 - a. stagflation
 - b. trimmed mean
 - c. inflation
 - d. **CORRECT:** productivity

3. policies that are aimed at individual industries, seeking to improve the efficiency and productivity of producers, also referred to as supply-side policies
 - a. fiscal policy
 - b. labour market policies
 - c. monetary policy
 - d. **CORRECT:** microeconomic policies

4. inflation is calculated by comparing the inflation rate of every item in the CPI and identifying the middle observation; the inflation rate of half the items in the CPI will be greater than the weighted median inflation rate, and the inflation rate of the other half will be less than it
 - a. trimmed mean
 - b. inflation
 - c. **CORRECT:** weighted mean
 - d. stagflation

5. states that exchange rates should adjust to equalise the price of identical goods and services in different economies throughout the world
 - a. **CORRECT: purchasing power parity (PPP)**
 - b. consumer price index (CPI)
 - c. fiscal policy
 - d. inflation rate

6. inflation is determined by calculating the average inflation rate after excluding the 15 percent of items with largest price increases and the 15 percent of items with the smallest price increases (or largest price falls) from the CPI
 - a. weighted mean
 - b. stagflation
 - c. **CORRECT: trimmed mean**
 - d. inflation

7. refers to the ability of an economy's exports to compete on global markets, an economy may be competitive by selling products of a higher quality or a lower price than its competitors
 - a. inflation rate
 - b. microeconomic policies
 - c. **CORRECT: international competitiveness**
 - d. underlying inflation

8. occurs when aggregate demand or spending is growing while the economy is nearing its supply capacity, so that higher demand leads to higher prices rather than more output
 - a. cost-push inflation
 - b. **CORRECT: demand-pull inflation**
 - c. underlying inflation
 - d. inflation

9. is a macroeconomic policy that can influence resource allocation, redistribute income and reduce the fluctuations of the business cycle; its instruments include government spending and taxation and the budget outcome
 - a. monetary policy
 - b. inflation
 - c. **CORRECT: fiscal policy**
 - d. stagflation

10. is a measure of the increase in the general price level that removes the effect of one-off or volatile price movements
- cost-push inflation
 - inflation
 - CORRECT: underlying inflation**
 - demand-pull inflation
11. measures the percentage change in prices of consumer goods (as measured by the consumer price index) and therefore reflects any change in the cost of living
- stagflation
 - nominal wage
 - CORRECT: inflation rate**
 - inflation
12. summarises the movement in the prices of a basket of goods and services according to their significance for the average Australian household; it is used to measure inflation in Australia
- monetary policy
 - underlying inflation
 - cost-push inflation
 - CORRECT: consumer price index (CPI)**
13. is the pay received by employees in dollar terms for their contribution to the production process, not adjusted for inflation
- inflation
 - CORRECT: nominal wage**
 - inflation rate
 - trimmed mean
14. is a macroeconomic policy that aims to influence the cost and supply of money in the economy in order to influence economic outcomes such as economic growth and inflation; the Reserve Bank of Australia (RBA) administers monetary policy by influencing the level of interest rates
- fiscal policy
 - labour market polices
 - nominal wage
 - CORRECT: monetary policy**

15. occurs when there is an increase in production costs (such as oil price increases or wage increases) that producers pass on in the form of higher prices thus raising the rate of inflation
- stagflation
 - CORRECT: cost-push inflation**
 - underlying inflation
 - demand-pull inflation
16. are microeconomic policies that are aimed at influencing the operating and outcomes in the labour market, including industrial relations policies that regulate the process of wage determination as well as training, education and job-placement programs to assist the unemployed
- fiscal policy
 - CORRECT: labour market polices**
 - monetary policy
 - microeconomic policies
17. is a sustained increase in the general level of prices in an economy
- stagflation
 - inflation rate
 - CORRECT: inflation**
 - nominal wage
18. refers to the process by which the pattern of production in an economy is altered over time, and certain products, processes of production, and even industries disappear, while others emerge
- nominal wage
 - CORRECT: structural change**
 - stagflation
 - trimmed mean