Macroeconomics 9th edition Blanchard Test Bank

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Macroeconomics, 9e (Blanchard)
Chapter 1: A Tour of the World

1.1 The Covid-19 Crisis, Inflation, and Interest Rates

1) The Covid-19 crisis of 2020 started in ________.
A) the United Kingdom
B) the Euro Zone
C) San Diego, California
D) Wuhan, China
Answer: D
AACSB: Application of knowledge
Status: New question 9e

2) U.S. inflation peaked at ________ following the Covid-19 pandemic.
A) 9.9%
B) 12.1%
C) 7.2%
D) 10.6%
Answer: A
AACSB: Application of knowledge
Status: New question 9e

3) What was the initial response of most central banks to the Covid-19 pandemic and subsequent lockdowns of most nation's economies?
A) Central banks reduced interest rates to near zero.
B) Central banks increased interest rates dramatically.
C) Central banks began selling financial assets immediately.
D) Central banks sent cash to the citizens of their respective nations.
Answer: A
AACSB: Analytical thinking
Status: New question 9e

4) Why did inflation surge in the years immediately following the Covid-19 pandemic?
Answer: Economies overheated. In 2020 and 2021, governments put in place programs to protect people who were no longer working and receiving income, and to protect firms that could not sell and would have gone bankrupt without government support. These programs were generous, especially so in the United States. The extra cash in consumers' pockets resulted in very strong consumer demand leading to overheating in both labor and goods markets. In the labor market, unemployment, which had peaked during lockdowns, decreased rapidly, putting pressure on wages. In the goods markets, high demand led to high demand for commodities, leading to large increases in the world prices of energy and food, thus affecting inflation even in countries and regions that had more limited fiscal programs, such as the euro area. Firms struggled to get inputs and bid prices even higher.
AACSB: Written and oral communication
Status: New question 9e

5) How did supply chain restrictions impact inflation following the Covid-19 pandemic?
Answer: The Covid-19 pandemic led to a breakdown in supply chains which kept firms from getting necessary inputs. For example, automobile manufacturers could not get the computer chips they needed to make vehicles. They were forced to ration the cars and trucks they were able to make and send to dealers. The result was a severe reduction in supply. This same process happened in most sectors of the economy.
AACSB: Written and oral communication
Status: New question 9e

6) Why were central banks slow to react to the inflation immediately following the Covid-19 pandemic?
Answer: Central banks initially believed the inflation was temporary, or transitory. Since they believed the inflation would be short-lived they opted to leave interest rates low to stimulate growth. However, by early 2022 central banks began to realize the inflation would require contractionary monetary policy to get under control.
AACSB: Written and oral communication
Status: New question 9e

1.2 The Increase in Public Debt

1) The ratio of public debt to GDP (the debt ratio) increased in Japan to ________ of GDP in 2023.
A) 74%
B) 95%
C) 126%
D) 161%
Answer: D
AACSB: Application of knowledge
Status: New question 9e

2) How do high debt levels affect future taxpayers?
A) The high debt will not affect future taxpayers at all since the government can print money to pay the debt.
B) Taxes will eventually have to increase to reduce deficits and begin paying down debt.
C) The debt ratio will fall on its own as GDP rises so tax policy will not change for this reason.
D) Government spending will fall to lower the deficit and taxes will increase slightly.
Answer: B
AACSB: Reflective thinking
Status: New question 9e

3) Politicians are very shortsighted and prefer to run deficits rather than increase taxes. This is known as ________.
A) logrolling
B) deficit bias
C) deficit stacking
D) a perpetual deficit
Answer: B
AACSB: Application of knowledge
Status: New question 9e

4) Many nations are considering adopting ________ to control the high debt levels.
A) new currencies
B) deficit bans
C) fiscal rules
D) monetary restrictions
Answer: C
AACSB: Analytical thinking
Status: New question 9e

5) Why do some economists and politicians favor a very gradual reduction in deficit spending?
Answer: Some experts argue that while debt reduction is desirable, the cost of high debt is not that high, whereas the macroeconomic cost of running surpluses to reduce the debt may be very high. They contend that what matters is not so much debt as debt service, the interest payments on the debt. They point out that before Covid-19, interest rates were very low, and although the fight against inflation has temporarily increased them, the rates are likely to return to low levels in the future. For this reason, drastically reducing deficit spending could do more harm than good.
AACSB: Written and oral communication
Status: New question 9e

6) Inflation represents ________.
A) an increase in output
B) an increase in the aggregate price level
C) an increase in the unemployment rate
D) a recession
Answer: B
AACSB: Reflective thinking
Status: 8e question

1.3 The Growth of China

1) In 2019, output per capita in China was approximately equal to ________ of U.S. output per capita.
A) 5%
B) 11%
C) 23%
D) 45%
Answer: C
AACSB: Application of knowledge
Status: New question 9e

2) China's current ratio of investment to GDP is about ________.
A) l0%
B) 40%
C) 75%
D) 125%
Answer: B
AACSB: Application of knowledge
Status: New question 9e

3) Which of the following data types does the author used to compare GDP across countries?
A) Real data (adjusted for inflation)
B) Nominal data
C) Purchasing power parity (PPP) numbers
D) Foreign exchange adjusted numbers
Answer: C
AACSB: Analytical thinking
Status: New question 9e

4) From 1960 to 2019 China's growth rate has averaged ________ per year.
A) 5.6%
B) 3.1%
C) 2.4%
D) 1.8%
Answer: A
AACSB: Analytical thinking
Status: New question 9e

5) Which of these is NOT one of the reasons China has experienced high annual growth rates that are much higher than U.S. growth rates over the same 40-year time period?
A) China has had significant increase in human capital.
B) China invested heavily in physical capital such as equipment and machines.
C) China has adapted and learned new technologies developed by other nations.
D) China's growth is not verifiable so it is likely not as high as China reports.
Answer: D
AACSB: Reflective thinking
Status: New question 9e

6) Why has China's growth rate been so much higher than the growth rate of the United States over the past 40 years?
Answer: First, large increases of physical capital, from machines to infrastructure, enable workers to be more productive. Indeed, the ratio of investment to GDP in China is around 40%, twice that of the United States. Second, large increases of what economists call human capital ——that is, more and better education and training——allow workers to get better jobs and be more productive.
Here again, the numbers are striking. The average number of years of formal education among those older than 25 in China has risen from 1.6 years in 1960 to nearly 8 years today. FInally, technological progress enables more output given physical and human capital. Countries like the United States that are at the technological frontier must innovate, finding new and more efficient ways of producing. For countries behind the technological frontier, such as China, the task is instead to follow, to learn and adapt the technologies of more advanced countries. Adapting existing technologies has clearly played an important role in China, which has been accused of forcing foreign firms to share their technology and even, sometimes, of stealing patents from firms in other countries.
AACSB: Written and oral communication
Status: New question 9e

7) Can China's high growth be replicated in other countries?
Answer: The experience of the other large nation in the world, India, suggests that the Chinese growth recipe may be difficult to apply. India's GDP per person, which was also equal to 5% of the United States in 1960, is now equal to 10%, less than half of the Chinese number. And many other poor countries have seen very low growth. What determines growth in rich and poor countries and whether and how policies can help are central issues in macroeconomics.
AACSB: Written and oral communication
Status: New question 9e

1.4 Growth and Inequality

1) Overall, inequality across countries has ________ over the past 40 years.
A) decreased
B) increased
C) remained the same
D) been extremely volatile
Answer: A
AACSB: Application of knowledge
Status: New question 9e

2) Which of these is NOT one of the dimensions of poverty that economists and policymakers are concerned with?
A) The number of people living in poverty
B) The income level of the top earners
C) The average age of those in poverty
D) The size of the middle class
Answer: C
AACSB: Analytical thinking
Status: New question 9e

3) In 2021 the top 10% of U.S. wage earners received ________ of the total pretax income.
A) 45%
B) 31%
C) 15%
D) 7%
Answer: A
AACSB: Application of knowledge
Status: New question 9e

4) In 2021 the top 10% of French wage earners received ________ of the total pretax income.
A) 48%
B) 31%
C) 15%
D) 7%
Answer: B
AACSB: Application of knowledge
Status: New question 9e

5) In 2021 the bottom 50% of French wage earners received ________ of the total pretax income.
A) 9%
B) 14%
C) 23%
D) 36%
Answer: C
AACSB: Application of knowledge
Status: New question 9e

6) In 2021 the bottom 50% of U.S. wage earners received ________ of the total pretax income.
A) 9%
B) 14%
C) 23%
D) 36%
Answer: B
AACSB: Application of knowledge
Status: New question 9e

7) Since 1960 inequality in the United States has ________.
A) increased
B) decreased
C) not changed
D) fallen significantly
Answer: A
AACSB: Application of knowledge
Status: New question 9e

8) How might artificial intelligence (AI) impact income inequality?
Answer: There are two extreme scenarios mentioned in the text: one in which AI-based robots and programs eventually replace middle-skill workers, leaving many of them unemployed or having to accept lower paying jobs; the other in which AI robots and programs allow low-skilled workers to do more complex tasks and get better jobs. The first leads to more inequality, the second to less.
AACSB: Written and oral communication
Status: New question 9e

1.5 Global Warming

1) Which of these statements is the most accurate with respect to global warming?
A) Global warming is not significant enough to warrant major changes in production and energy generation methods.
B) Global warming is a temporary phenomenon that will have limited impact on future generations.
C) There is overwhelming evidence that shows that global warming does exist.
D) Developed nations can easily make adjustments to begin reducing the earth's temperature.
Answer: C
AACSB: Reflective thinking
Status: New question 9e

2) The earth's temperature has ________ since the 1960s.
A) not changed
B) increased by almost 5 degrees celsius
C) decreased by about 2 degrees celsius
D) increased by about 1 degree celsius
Answer: D
AACSB: Application of knowledge
Status: New question 9e

3) Forecasts show that the earth's temperature will increase by another ________ degrees celsius by the end of the century if we elect to do nothing to stop global warming.
A) 1
B) 2
C) 3
D) 4
Answer: C
AACSB: Application of knowledge
Status: New question 9e

4) An increase of another 3 degrees celsius by 2100 would result in a ________ increase in sea level.
A) 2 to 5 feet
B) 6 to 12 feet
C) 15 to 20 feet
D) 22 to 26 feet
Answer: B
AACSB: Application of knowledge
Status: New question 9e

5) Global warming is not significant enough for to make an economic impact.
Answer: FALSE
AACSB: Reflective thinking
Status: New question 9e

6) The cost of producing a watt using solar panels, for example, has fallen from $100 in 1975 to $5 in 2000 to 25¢ in 2021.
Answer: TRUE
AACSB: Application of knowledge
Status: New question 9e

7) Is a goal of zero emissions consistent with positive economic growth?
Answer: While we don't know for certain, the answer is probably yes. Advanced economies have been able to reduce emissions substantially while continuing to grow. Both the United States and Europe have reduced emissions by 25% since 2000 while maintaining growth. Nonetheless, the shift to new and less proven technologies may imply lower growth for some time. And even if output continues to grow, the higher investment may reduce what is left for consumption. Fighting global warming has a cost. But the alternative is worse.
AACSB: Ethical understanding and reasoning
Status: New question 9e