

Universitat de Barcelona
Academic year 2011-2012, Fall Semester
Macroeconomics - Group A8
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Aggregate demand and aggregate supply.

List 12 - AD, AS, and the labor market.

1. In an AD-AS framework, an increase in the productivity of labor translates into
 - (a) a shift to the right of the AS and a decrease in the price level.
 - (b) a shift to the left of the AS and an increase in the price level.
 - (c) a shift to the right of the AD and a decrease in the price level.
 - (d) a shift to the left of the AD and an increase in the price level.
2. The effect of the increase in the labor productivity on the price level is
 - (a) an increase in the prices due to a shift to the right of the AD.
 - (b) a decrease in the prices due to a shift to the left of the AD.
 - (c) an increase in the prices due to the shift to the left of the AS.
 - (d) a decrease in the prices due to a shift to the right of the AS.
3. The effect of the increase in investors' expectations on the price level is
 - (a) an increase in the prices due to a shift to the right of the AD.
 - (b) a decrease in the prices due to a shift to the left of the AD.
 - (c) an increase in the prices due to the shift to the left of the AS.
 - (d) a decrease in the prices due to a shift to the right of the AS.
4. The effect of an increase in the tax rate on the price level is
 - (a) an increase in prices due to the shift to the right of the AD.
 - (b) a decrease in prices due to the shift to the left of the AD.

- (c) an increase in prices due to the shift to the left of the AS.
 - (d) a decrease in prices due to the shift to the right of the AS.
5. The effect of an increase in the minimum wage on the price level is
- (a) an increase in prices due to a shift to the right of the AD.
 - (b) a decrease in prices due to a shift to the left of the AD.
 - (c) an increase in prices due to the shift to the left of the AS.
 - (d) a decrease in prices due to the shift to the right of the AS.
6. The effect of an increase in the responsiveness of the liquidity demand on the price level is
- (a) an increase in prices due to a shift to the right of the AD.
 - (b) a decrease in prices due to a shift to the left of the AD.
 - (c) an increase in prices due to the shift to the left of the AS.
 - (d) a decrease in prices due to the shift to the right of the AS.
7. A reduction of the tax rate causes
- (a) an increase in consumption, employment, and investment.
 - (b) an increase in consumption and employment, and a decrease in investment.
 - (c) a decrease in consumption, employment, and investment.
 - (d) an increase in consumption and employment, and an ambiguous effect on investment.
8. Suppose that employment and interest rate increase but the real wage decreases. We deduce that the Government has implemented
- (a) an increase in taxes.
 - (b) an increase in transfers.
 - (c) an increase in money supply.
 - (d) a combination of expansionary fiscal policy and contractionary monetary policy.
9. In a closed economy the monetary policy is more expansionary if

- (a) the responsiveness of investment to the interest rate is lower.
 - (b) the responsiveness of the AS to the price level is lower.
 - (c) the responsiveness of the demand for real money balances to the interest rate is higher.
 - (d) the responsiveness of the demand for real money balances to the interest is lower.
10. Suppose that the labor supply curve shifts to the left. Then, there is
- (a) a decrease in income, employment, and price, and an increase in the real wage.
 - (b) a decrease in income, employment, and real wage, and an increase in prices.
 - (c) a decrease in income and employment, an increase in prices, and no effect on the real wage.
11. Suppose that the labor productivity increases. Then,
- (a) the income remains constant, the prices and the interest rate decrease, and the real wage increase.
 - (b) the income and the real wage remain the same, while prices and interest rate increase.
 - (c) The income increases, the real wage remains constant, and the prices and the interest rate decrease.
 - (d) The income and the real wage increase, while the prices and the interest rate decrease.
12. Suppose to introduce social security contributions to be pay by the firms. As a consequence,
- (a) the demand for labor shifts to the left.
 - (b) the supply of labor shifts to the left.
 - (c) the demand for labor shifts to the right.
 - (d) the supply of labor shifts to the right.
13. Suppose to introduce social security contributions to be pay by the firms. This implies that

- (a) the real wage increases due to the joint effect of both the increase in the nominal wage and in the decrease in prices.
 - (b) the real wage increases because the nominal wage decreases proportionally less than the prices.
 - (c) the real wage decreases because the nominal wage decreases proportionally more than the prices.
 - (d) the real wage decreases because the nominal wage decreases proportionally less than the prices.
14. Suppose to introduce social security contributions to be payed by the firms. This implies that
- (a) employment, income, nominal wage, and real wage increase, while prices and interest rate decrease.
 - (b) employment, income, nominal wage, real wage, prices, and interest rate increase.
 - (c) employment, income, and real wage increase, while nominal wage, prices, and interest rate decrease.
 - (d) employment, income, prices, and interest rate increase, while nominal and real wages decrease.
15. If the productivity of labor increases exogenously, then
- (a) the real wage remains the same.
 - (b) the real wage increases.
 - (c) the real wage decreases.
 - (d) there is an ambiguous effect on the real wage.
16. An expansionary monetary policy
- (a) increases savings and investment, while leaves the public deficit unaltered.
 - (b) increases savings and investment, while decreases the public deficit.
 - (c) decreases savings and public deficit, while leaves the investment unaltered.
 - (d) leaves savings, investment, and public deficit unaltered.