

Record your answers on the scantron provided.

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) In calculating GDP, economists use the value of final goods and services because 1) _____
 - A) GDP is underestimated if intermediate goods are used instead.
 - B) by using final goods and services, they can avoid double counting.
 - C) final goods can be exported to other countries.
 - D) intermediate goods are imported from other countries.
 - E) none of the above.

- 2) The circular flow diagram illustrates the expenditures made by 2) _____
 - A) savings, income tax, and exporters.
 - B) firms and households.
 - C) households, firms, governments and the rest of the world.
 - D) goods markets, financial markets factor markets and export markets.
 - E) factor markets, households and investors.

- 3) The expenditure approach measures GDP by adding together 3) _____
 - A) wages, salaries and supplementary labour income, corporate profits, interest and miscellaneous investment income, farmers' income, subsidies paid by the government, indirect taxes paid, and income of nonfarm unincorporated businesses.
 - B) the value added of each firm in the economy.
 - C) the total expenditures of consumers, firms, net exporters, and by governments at all levels.
 - D) wages, salaries and supplementary labour income, corporate profits, interest and miscellaneous investment income, farmers' income, and income of nonfarm unincorporated businesses.
 - E) compensation of employees, rental income, corporate profits, net interest, proprietors' income, indirect taxes paid, and capital consumption expenditures, and by subtracting subsidies paid by the government.

- 4) Which one of the following is *not* an example of investment in the expenditure approach to measuring GDP? General Motors 4) _____
 - A) builds another assembly plant.
 - B) buys shares in another company.
 - C) adds 500 new cars to inventories.
 - D) buys a new auto stamping machine.
 - E) replaces some worn-out stamping machines.

- 5) The GDP deflator is used to adjust nominal GDP for changes in 5) _____
 - A) depreciation.
 - B) national income.
 - C) the unemployment rate.
 - D) the cost of the typical urban worker's market basket.
 - E) the price level.

- 6) Which one of the following items would be increase GDP? 6) _____
- A) the cost of the pollution caused during the processing of steel during the year
 - B) payments made to unemployed workers during the year as part of their unemployment compensation
 - C) the cost of the tools used by a thief to break into your car
 - D) the purchase of stocks on the Toronto exchange
 - E) the purchase of stocks on the Tokyo exchange
- 7) Which one of the following people would be considered unemployed? 7) _____
- A) a person who has been seeking a job for the last six months, but recently gave up looking because he was discouraged by his job prospects
 - B) a part-time worker who repeatedly expresses a desire to become a full-time worker
 - C) a person who expects to be laid off by the end of the month before next month's survey can be completed
 - D) a person who is not looking for a job now as they will be starting a job in 6 months
 - E) a person who has been laid off for 10 weeks and is not looking since he is waiting to be called back to his old job
- 8) In a country with a working-age population of 30 million, 18 million are employed, 2 million are unemployed, and 2 million of the employed are working part-time, half of whom wish to work full-time. The size of the employment-to-population ratio is 8) _____
- A) 66.7 percent.
 - B) 53.3 percent.
 - C) 73.3 percent.
 - D) 60 percent.
 - E) none of the above.
- 9) In a dynamic economy under ideal conditions, the unemployment rate 9) _____
- A) would tend to move upward as the price level rises.
 - B) would tend to move downward as the price level falls.
 - C) would be positive due to natural unemployment.
 - D) should be zero.
 - E) would tend to be 6 percent.
- 10) When the CPI is based on 1992 prices, a consumer price index of 122 in 2004 means that 10) _____
- A) the market basket of consumer goods that cost \$122 in 1992 could be purchased for \$100 in 2004.
 - B) prices of consumer goods have gone up by a factor of 12.2.
 - C) the market basket of consumer goods that cost \$100 in 1992 could be purchased for \$122 in 2004.
 - D) an item that cost \$100 in 1992 now costs \$122.
 - E) prices of consumer goods have more than doubled.
- 11) When prices at Wendy's rise, more consumers buy their meals at McDonald's instead. This is an example of 11) _____
- A) outlet substitution.
 - B) commodity substitution.
 - C) consumers' action to boycott Wendy's.
 - D) both A and B.
 - E) both B and C.

- 12) An aggregate production function in macroeconomics is a model of the economy that
- A) relates the quantity of real GDP supplied with the price level.
 - B) expresses a relationship between aggregate supply and aggregate demand.
 - C) estimates the quantity of real GDP supplied, based on the economic resources available.
 - D) relates the quantity of labor with the potential real GDP.
 - E) estimates the quantity of real GDP that a fixed amount of resources can produce.

12) _____

Use the figure below to answer the following question(s).

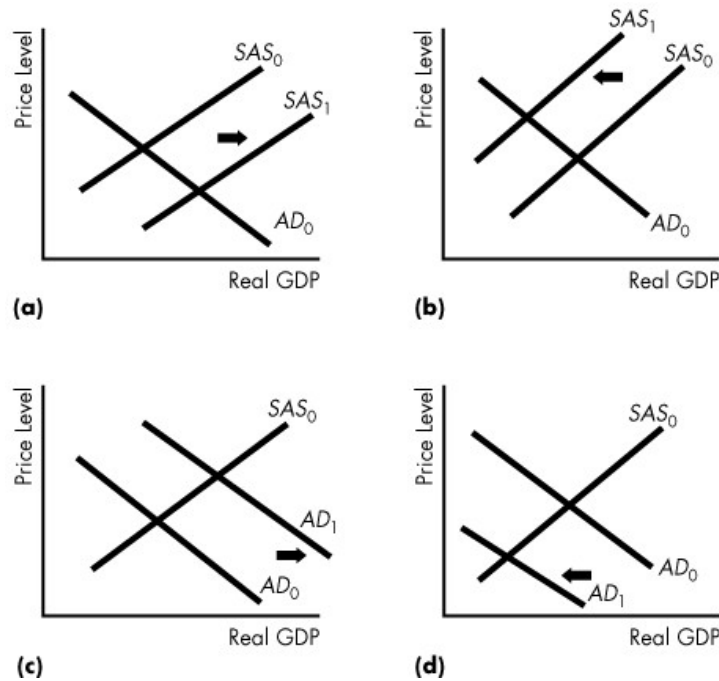


Figure 22.1

- 13) Consider Figure 22.1. Which graph(s) illustrates what happens when resource prices fall?
- A) (a)
 - B) (b)
 - C) (c)
 - D) (d)
 - E) (a) and (b)
- 14) Which one of the following variables is *not* held constant in deriving the short-run aggregate supply curve?
- A) price level
 - B) the level of wages
 - C) raw material prices
 - D) aggregate hours of labour supplied
 - E) technology
- 15) An increase in the money wage rates will shift
- A) SAS rightward, but leave LAS unchanged.
 - B) both SAS and LAS leftward.
 - C) SAS leftward, but leave LAS unchanged.
 - D) LAS rightward, but leave SAS unchanged.
 - E) both SAS and LAS rightward.

13) _____

14) _____

15) _____

- 16) A household's disposable income is its total income 16) _____
- A) minus taxes.
 - B) after fixed expenses such as rent and power consumption.
 - C) after deducting taxes and transfer payments.
 - D) minus taxes plus transfer payments.
 - E) net of taxes and benefits deducted.
- 17) If the price level rises, then the wealth effect will lead to 17) _____
- A) a decrease in real wealth, an increase in current consumption expenditure, and an increase in saving.
 - B) a decrease in real wealth, a decrease in current consumption expenditure, and an increase in saving.
 - C) an increase in real wealth, an increase in current consumption expenditure, and a decrease in saving.
 - D) an increase in real wealth, an increase in current consumption expenditure, and an increase in saving.
 - E) a decrease in real wealth, an increase in current consumption expenditure, and a decrease in saving.
- 18) Aggregate demand 18) _____
- A) measures the quantity of real GDP demanded.
 - B) measures the amount of a nation's goods and services that people are willing to buy.
 - C) measures the amount of a nation's labor, capital and and technology that people are willing to buy.
 - D) is a relationship between the quantity of real GDP demanded and the price level.
 - E) is both C and D.
- 19) All else constant, an increase in the quantity of money means that 19) _____
- A) the aggregate demand curve will shift to the right.
 - B) the aggregate supply curve will shift to the right.
 - C) the aggregate supply curve will shift to the left.
 - D) there will be a movement down an aggregate demand curve.
 - E) the aggregate demand curve will shift to the left.
- 20) Within the aggregate demand/aggregate supply model, if there is excess supply present at the current price level, 20) _____
- A) government expenditures will rise.
 - B) the price level will decline.
 - C) output will increase.
 - D) the actual unemployment rate will be less than its natural rate.
 - E) the natural rate of unemployment will rise.

Use the figure below to answer the following question(s).

The following figure shows the aggregate demand (*AD*), short-run aggregate supply (*SAS*), and long-run aggregate supply (*LAS*) curves for Econoworld.

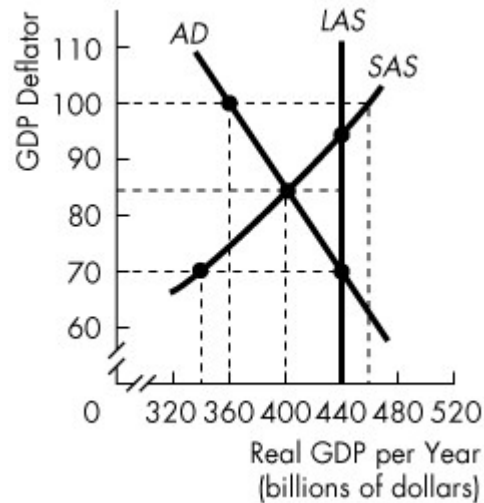


Figure 22.3

- 21) Refer to Figure 22.3. In Econoworld, there is a difference between the _____ real GDP and potential GDP of \$_____ billion per year. 21) _____
- A) below full-employment equilibrium; 40
 B) below full-employment equilibrium; 20
 C) above full-employment equilibrium; 20
 D) above full-employment equilibrium; 40
 E) full-employment equilibrium; 0
- 22) Short-run macroeconomic equilibrium *always* occurs when the 22) _____
- A) economy is below full employment.
 B) *AD* curve intersects the *LAS* curve.
 C) economy is at full employment.
 D) economy is above full employment.
 E) quantity of real GDP demanded equals the quantity of real GDP supplied.
- 23) If future household income is expected to rise, other things remaining the same, then 23) _____
- A) consumption expenditures will remain the same until the expected rise in income actually occurs.
 B) consumption expenditures will rise.
 C) savings will rise.
 D) the government will raise taxes.
 E) consumption expenditures will fall.

Use the figure below to answer the following question(s).

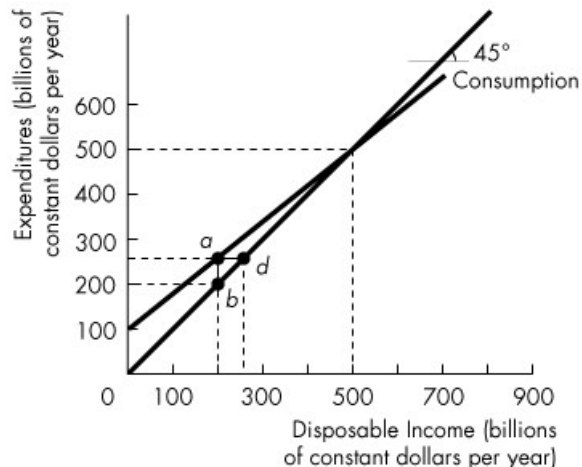


Figure 23.1

This figure describes the relationship between aggregate consumption expenditures and disposable income for a model economy.

- 24) Refer to Figure 23.1. Consumption and disposable income are equal at 24) _____
- A) any point along the consumption function.
 - B) an income level of \$600 billion.
 - C) an income level of \$500 billion.
 - D) a saving level equal to \$40 billion and an income level equal to \$540 billion.
 - E) none of the income levels.
- 25) If $AE = 100 + 0.7Y$ and $Y = 300$, then unplanned inventories 25) _____
- A) decrease by 200.
 - B) increase by 10.
 - C) decrease by 10.
 - D) increase by 200.
 - E) do not change and equilibrium exists.
- 26) The idea behind the multiplier principle is that 26) _____
- A) private sector spending becomes public sector revenue.
 - B) one sector's spending becomes another sector's spending.
 - C) public sector spending is the only variable that can multiply into greater income.
 - D) as consumption rises, saving and investment fall.
 - E) one person's spending becomes another person's income that can be spent again.
- 27) A shift in the aggregate expenditure function, as a result of an increase in the price level, will result in 27) _____
- A) a movement up the aggregate demand curve.
 - B) no change in the aggregate demand curve.
 - C) a movement down the aggregate demand curve.
 - D) a leftward shift in the aggregate demand curve.
 - E) a rightward shift in the aggregate demand curve.

- 28) Which one of the following is *not* a store of value? 28) _____
- A) other chequable deposits
 - B) savings deposits
 - C) demand deposits
 - D) credit cards
 - E) term deposits
- 29) Anything can be money as long as it 29) _____
- A) has low transaction costs.
 - B) is acceptable as a medium of exchange.
 - C) meets the double coincidence of wants.
 - D) is not too bulky.
 - E) has intrinsic worth.
- 30) Which one of the following assets of a chartered bank would be considered a major source of profit for the bank? 30) _____
- A) outstanding loans
 - B) deposits held at the Bank of Canada
 - C) savings deposits
 - D) cash in the bank vault
 - E) demand deposit accounts
- 31) The main economic functions of depository institutions include all but which one of the following? 31) _____
- A) creating liquidity
 - B) pooling risk of borrowers
 - C) minimizing the cost of monitoring borrowers
 - D) minimizing the cost of getting funds to lend
 - E) pooling risk of lenders
- 32) The money multiplier will decrease if either the fraction of deposits that households and firms want to hold as currency 32) _____
- A) decreases or the desired reserve ratio decreases.
 - B) increases or the desired reserve ratio decreases.
 - C) increases or the desired reserve ratio increases.
 - D) decreases and the monetary base increases.
 - E) decreases or the desired reserve ratio increases.
- 33) If the Bank of Canada decides to target the quantity of money in the economy, then 33) _____
- A) the quantity of money supplied fluctuates and the quantity of money demanded fluctuates.
 - B) the quantity of money supplied is fixed and the quantity of money demanded is fixed.
 - C) the quantity of money supplied fluctuates and the quantity of money demanded is fixed.
 - D) the quantity of money supplied is fixed and the quantity of money demanded fluctuates.
 - E) none of the above.
- 34) If the exchange rate is 68 U.S. cents per Canadian dollar, then 34) _____
- A) the U.S. dollar is more expensive than the Canadian dollar.
 - B) the Canadian dollar will appreciate.
 - C) one U.S. dollar will buy 1.47 Canadian dollars.
 - D) the Canadian dollar is cheaper than the U.S. dollar.
 - E) one U.S. dollar will buy 0.68 Canadian dollars.

- 35) If dollars were cheaper in Tokyo than in London, a trader would 35) _____
- A) buy dollars in Tokyo and lend them in London.
 - B) sell dollars in both Tokyo and London.
 - C) sell dollars in Tokyo and buy them in London.
 - D) buy dollars in both Tokyo and London.
 - E) buy dollars in Tokyo and sell them in London.
- 36) The supply of the dollar will shift rightward due to 36) _____
- A) a decrease in the price of Canadian goods and services.
 - B) an increase in the price of the dollar.
 - C) an increase in Canadian interest rates.
 - D) an increase in foreign interest rates.
 - E) none of the above.
- 37) The demand for the dollar will shift rightward, *ceteris paribus*, due to 37) _____
- A) an increase in Canadian interest rates.
 - B) a decrease in the expected future value of the dollar.
 - C) an increase in the price of Canadian goods and services.
 - D) a decrease in the price of the dollar.
 - E) an increase in foreign interest rates.
- 38) Suppose that Canada's import demand decreases. All other things equal, 38) _____
- A) the supply of Canadian dollars will decrease.
 - B) the supply of Canadian dollars will decrease and demand for Canadian dollars will increase.
 - C) the demand for Canadian dollars will decrease and the supply of Canadian dollars will increase.
 - D) both the supply and demand for Canadian dollars will decrease.
 - E) the demand for Canadian dollars will increase.
- 39) The quantity theory of money begins with the equation of exchange— $MV = PY$ —and then adds the assumptions that 39) _____
- A) potential GDP and the quantity of money are independent of the price level.
 - B) potential GDP and the price level are independent of the quantity of money.
 - C) velocity and potential GDP are independent of the quantity of money.
 - D) velocity and the price level are independent of the quantity of money.
 - E) velocity varies inversely with the rate of interest, and the price level is independent of the quantity of money.
- 40) An increase in the expected rate of inflation shifts the 40) _____
- A) short-run Phillips curve downward.
 - B) long-run Phillips curve downward.
 - C) short-run Phillips curve upward.
 - D) long-run Phillips curve upward.
 - E) B and C.
- 41) What are the two parts of the *inflation control target* kept by the Bank of Canada? 41) _____
- A) the trend of inflation and the core inflation rate
 - B) the target range and the core inflation rate
 - C) the change in the average wage rate and the change in the average price index
 - D) the target range and the trend of inflation
 - E) the core inflation rate and the Consumer Price Index

- 42) In the mid 1990's, the Bank of Canada's policy was to keep the interest rate low in order to 42) _____
A) reduce a persistent highly unemployment rate.
B) boost economic growth.
C) reduce inflation.
D) A and B.
E) none of the above.
- 43) As the sole issuer of Canadian money, the Bank of Canada can set any one of three variables: 43) _____
A) the money supply, the interest rate, and the unemployment rate
B) the rate of inflation, the interest rate, and the unemployment rate
C) the exchange rate, the interest rate, and the inflation rate
D) the inflation rate, the unemployment rate, and the real economic growth rate
E) the monetary base, the exchange rate, and the short term interest rate
- 44) Complete the following sentence. Open market operations 44) _____
A) refer to the Bank of Canada's sales and purchases of corporate stock.
B) refer to the purchase or sale of Canadian currency in exchange for foreign currency.
C) refer to loans made by the Bank of Canada to chartered banks.
D) can change bank deposits but cannot alter the money supply.
E) refer to the purchase or sale of government securities to the public by the Bank of Canada.
- 45) The bank rate is the interest rate 45) _____
A) received for holding Government of Canada Treasury Bills.
B) banks pay on term deposits.
C) the Bank of Canada charges when it lends reserves to banks.
D) banks charge their very best loan customers.
E) the Bank of Canada pays on reserves held by banks.
- 46) The purchase of government bonds by the Bank of Canada will 46) _____
A) be a good tool against inflation.
B) decrease bank reserves.
C) tighten credit conditions.
D) increase bank loans.
E) decrease the prices of bonds.
- 47) If the Bank of Canada buys government bonds, all of the following will happen *except*: 47) _____
A) there will be a multiple expansion of banking deposits.
B) bank reserves will increase.
C) credit conditions will loosen.
D) the money supply will increase.
E) the bank rate will be forced up.
- 48) A decrease in chartered bank reserves could be caused by 48) _____
A) a decrease in the bank rate.
B) a decision by households to hold less currency.
C) the purchase of government bonds by the Bank of Canada.
D) an increase in the exchange rate.
E) the sale of government bonds by the Bank of Canada.

Use the figure below to answer the following question(s)

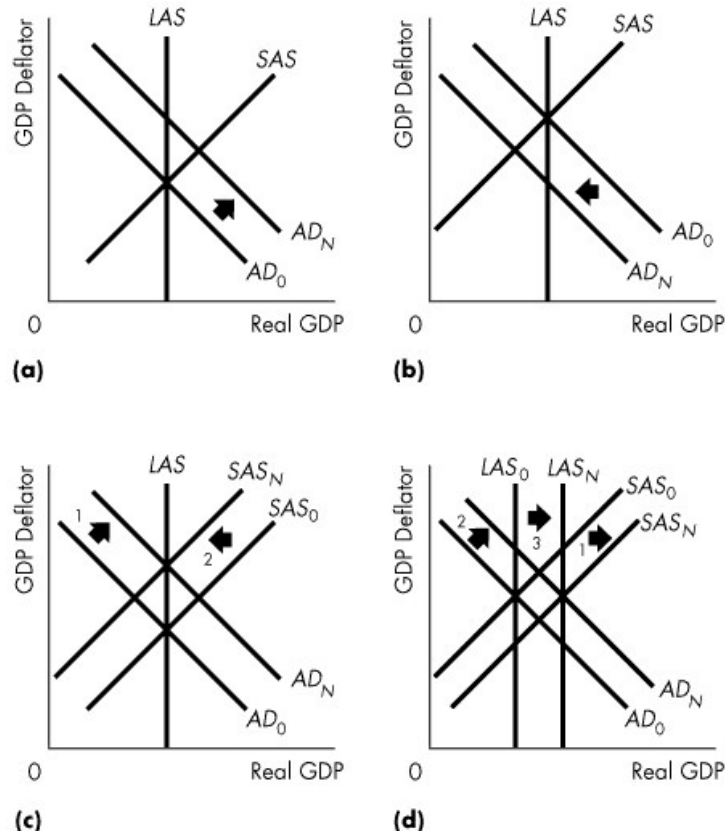


Figure 28.1

- 49) Refer to Figure 28.1. Which one of the graphs best depicts the short-run and long-run effects of an increase in the money supply? 49) _____
- A) (a)
 - B) (b)
 - C) (c)
 - D) (d)
 - E) none of the above
- 50) Which of the following factors most contributes to an increase in the exchange rate? 50) _____
- A) Rising government deficit financed mainly through foreign borrowing.
 - B) Net exports decrease.
 - C) The Canadian interest rate rises relative to the U.S. rate.
 - D) The interest rate in Canada decreases relative to the interest rate in other countries.
 - E) Inflation in Canada rises relative to the inflation rate in other countries.
- 51) The term *monetary policy transmission* refers to 51) _____
- A) the fluctuation in interest rates that result from monetary policy.
 - B) the conveyance of monetary policy from the government to the Bank of Canada
 - C) the method by which monetary policy is communicated to financial agents.
 - D) the impact of monetary policy on the economy.
 - E) both A and B.

- 52) The tendency for an increase in government expenditure to increase interest rates and lead to a decline in interest sensitive expenditures is referred to as the _____ 52) _____
- A) interest rate effect.
 - B) wealth reduction effect.
 - C) crowding-out effect.
 - D) real balance reduction effect.
 - E) liquidity trap effect.
- 53) Which one of the following best describes the process of an expansionary fiscal policy? _____ 53) _____
- A) Aggregate expenditure falls, leading to a rise in real GDP, leading to a rise in money demand, leading to a fall in the rate of interest, leading to a further rise in real GDP.
 - B) Aggregate expenditure rises, leading to a rise in real GDP, leading to a rise in money demand, leading to a rise in the rate of interest, leading to a partially offsetting fall in real GDP.
 - C) Aggregate expenditure rises, leading to a rise in real GDP, leading to a rise in money supply, leading to a fall in the rate of interest, leading to a further rise in real GDP.
 - D) Aggregate expenditure rises, leading to a fall in real GDP, leading to a rise in money demand, leading to a fall in the rate of interest, leading to a partially offsetting rise in real GDP.
 - E) Aggregate expenditure rises, leading to a rise in real GDP, leading to a rise in money demand, leading to a fall in the rate of interest, leading to a further rise in real GDP.
- 54) Overall, a tax cut will _____ 54) _____
- A) increase aggregate demand by causing the interest rate to decrease.
 - B) increase aggregate demand by causing consumption to increase.
 - C) decrease aggregate demand by causing consumption to decrease.
 - D) decrease aggregate demand by causing the interest rate to increase.
 - E) increase aggregate demand by causing investment to decrease.
- 55) If revenues exceed outlays, the federal government's budget balance is _____, and the government has a budget _____. 55) _____
- A) negative; deficit
 - B) positive; deficit
 - C) positive; surplus
 - D) zero; deficit
 - E) negative; surplus
- 56) Which of the following is *not* a source of budgetary revenues? _____ 56) _____
- A) personal income taxes
 - B) indirect taxes
 - C) investment income
 - D) transfer payments
 - E) corporate income taxes
- 57) The structural deficit is the deficit _____ 57) _____
- A) that would occur at the bottom of the business cycle.
 - B) in a recession.
 - C) that would occur at potential GDP.
 - D) caused by the business cycle.
 - E) in a recovery.

Use the figure below to answer the following question(s).

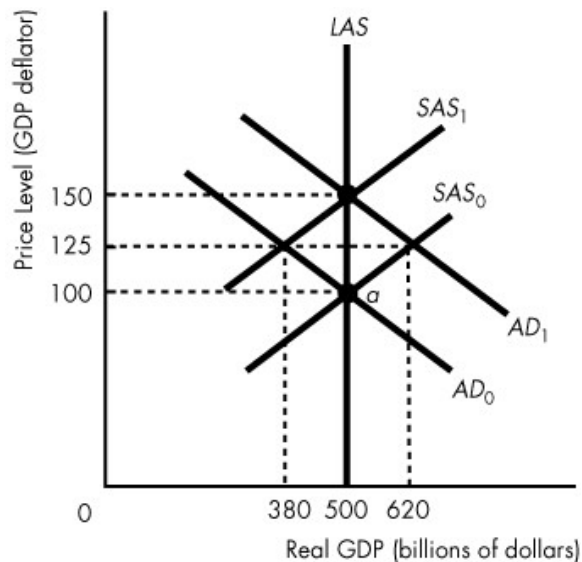


Figure 24.2

- 58) Figure 24.2 illustrates an economy initially in equilibrium at point *a*. If government expenditures increase, in the long run the economy will move to the intersection of _____
- AD_1 and SAS_1 , where the price level is higher, and output has risen to \$620 billion.
 - AD_1 and SAS_1 , where wage rates and the price level are higher, and output is constant at \$500 billion.
 - AD_0 and SAS_1 , where wage rates are higher, and output rises to \$620 billion.
 - AD_0 and SAS_1 , where wage rates are higher, and output falls to \$380 billion.
 - AD_1 and SAS_0 , where the price level is higher, and output rises to \$620 billion.
- 59) An income tax cut that provides a greater incentive to work than an alternative tax cut will result in comparatively _____
- the same level of long run real GDP and lower prices.
 - higher long run real GDP and lower prices.
 - the same level of long run real GDP and prices.
 - the same level of long run real GDP and higher prices.
 - higher long run real GDP and higher prices.
- 60) Suppose that the autonomous tax multiplier is -2 . If autonomous taxes decrease by \$4 billion and incentives to work and save are affected, then in the long run real GDP will _____
- decrease, but by how much is unclear.
 - decrease by \$8 billion.
 - increase, but by how much is unclear.
 - be unaffected.
 - increase by \$8 billion.

- 61) Which of the following is *FALSE* about saving? 61) _____
- A) Saving is the source of funds used to finance investment.
 - B) Saving supplies funds in loan markets, bond markets, and stock markets.
 - C) Saving adds to wealth.
 - D) Saving equals wealth minus consumption expenditure.
 - E) Income left after paying taxes can either be consumed or saved.
- 62) If a bank's net worth is negative, then the bank is 62) _____
- A) liquid.
 - B) solvent.
 - C) insolvent.
 - D) liquid.
 - E) none of the above.
- 63) Suppose Canada spends more on foreign goods and services than foreigners spend on our goods and services. Then 63) _____
- A) Canada must borrow an amount equal to national saving.
 - B) Canada must borrow an amount equal to consumption expenditure plus investment.
 - C) Canada must borrow an amount equal to imports minus exports.
 - D) the rest of the world may or may not finance Canada's trade deficit.
 - E) none of the above.
- 64) A decrease in the demand for loanable funds occurs when 64) _____
- A) the government raises taxes.
 - B) the government cuts taxes.
 - C) expected profit decreases.
 - D) expected profit increases.
 - E) the real interest rate rises.

Refer to the figure below to answer the following questions.

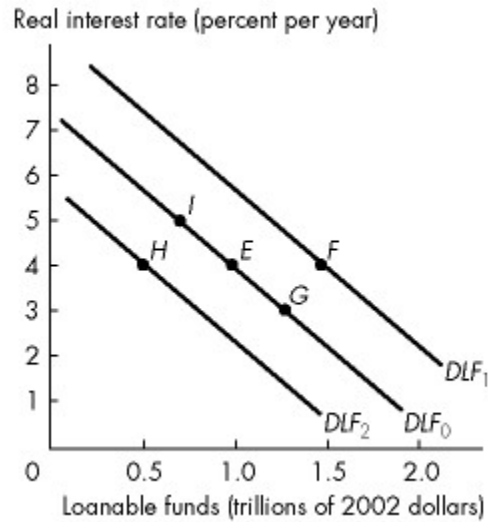


Figure 23.2.2

- 65) Refer to Figure 23.2.2. In Figure 23.2.2, a decrease in the real interest rate will result in a movement from point *E* to _____
- A) point *F*.
 - B) either point *G* or point *F*.
 - C) point *I*.
 - D) point *G*.
 - E) point *H*.
- 66) Which of the following will shift the supply of loanable funds curve leftward? _____
- A) a decrease in expected future income
 - B) a decrease in the real interest rate
 - C) a decrease in default risk
 - D) a decrease in real wealth
 - E) a decrease in disposable income
- 67) What is the effect of a decrease in expected profit? _____
- A) The real interest rate rises as saving increases.
 - B) The supply curve of loanable funds shifts rightward and the nominal interest rate rises.
 - C) The demand curve for loanable funds shifts rightward and the real interest rate rises.
 - D) The demand curve for loanable funds shifts leftward and the real interest rate falls.
 - E) A movement down along the demand curve for loanable funds occurs.
- 68) Real interest rates around the world tend to _____
- A) differ because inflation rates differ across countries.
 - B) be equal after adjusting for differences in risk because financial capital seeks the highest possible return.
 - C) be quite different because no two countries are exactly the same.
 - D) be equal because trading partners would not do business otherwise.
 - E) none of the above.

- 69) A very small country is a net foreign lender and its supply of loanable funds increases. As a result, the equilibrium quantity of loanable funds used in the country _____ and the country's foreign lending _____. 69) _____
- A) does not change; does not change
 - B) increases; does not change
 - C) does not change; decreases
 - D) increases; decreases
 - E) does not change; increases
- 70) If the world real interest rate falls, then a country that is a net foreign lender 70) _____
- A) increases the amount of its lending.
 - B) does not change the amount of its lending.
 - C) changes from being a net foreign lender to a net foreign borrower.
 - D) decreases the amount of its lending.
 - E) none of the above.
- 71) Financial innovations that emerged after 2000 in the mortgage markets included all of the following except 71) _____
- A) Alt-A mortgages.
 - B) subprime mortgages.
 - C) mortgage-backed securities.
 - D) adjustable-rate mortgages.
- 72) The originate-to-distribute business model is when 72) _____
- A) mortgage originators distributed the mortgage to an investor as an underlying asset in a security.
 - B) mortgage originators made sure that the mortgage was a good credit risk.
 - C) homeowners could refinance their houses with larger loans when their homes appreciated in value.
 - D) mortgage originators were the credit rating agencies.
- 73) When housing prices began to decline after their peak in 2006, many subprime borrowers found that their mortgages were "underwater." This meant that 73) _____
- A) the basement flooded since they could not afford to fix the leaky plumbing.
 - B) the value of the house fell below the amount of the mortgage.
 - C) the amount that they owed on their mortgage was less than the value of their house.
 - D) the roof leaked during a rainstorm.
- 74) The growth of the subprime mortgage market led to 74) _____
- A) decreased demand for houses as the less credit-worthy borrowers could not obtain residential mortgages.
 - B) a decrease in home ownership as investors chose other assets over housing.
 - C) increased demand for houses and helped fuel the boom in housing prices.
 - D) a decline in the housing industry because of higher default risk.

75) An increase in the government budget deficit _____. If the country is an international borrower, the government budget deficit _____. If the country is an international lender, the government budget deficit _____.

75) _____

- A) decreases the country's demand for loanable funds; decreases foreign lending; increases foreign borrowing
- B) increases the country's demand for loanable funds; decreases foreign borrowing; increases foreign lending
- C) increases the country's supply of loanable funds; decreases foreign lending; increases foreign borrowing
- D) increases the country's demand for loanable funds; increases foreign borrowing; decreases foreign lending
- E) decreases the country's supply of loanable funds; increases foreign borrowing; decreases foreign lending

- 1) B
- 2) C
- 3) C
- 4) B
- 5) E
- 6) C
- 7) E
- 8) D
- 9) C
- 10) C
- 11) A
- 12) C
- 13) A
- 14) A
- 15) C
- 16) D
- 17) B
- 18) D
- 19) A
- 20) B
- 21) A
- 22) E
- 23) B
- 24) C
- 25) C
- 26) E
- 27) A
- 28) D
- 29) B
- 30) A
- 31) B
- 32) C
- 33) D
- 34) C
- 35) E
- 36) D
- 37) A
- 38) A
- 39) C
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- 52) C
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- 70) D
- 71) D
- 72) A
- 73) B
- 74) C
- 75) D