Faculté des sciences sociales | Faculty of Social Sciences

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Département de science économique
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INTRODUCTION TO MACROECONOMICS (ECO 1102)

Practice Exam #2

Answers on last page

Topics

A. Labour Markets
B. Aggregate Demand and Supply
C. Fiscal Policy
D. Basics of Finance

A. Labour Market

A1. Suppose that some people report themselves as unemployed when, in fact, they are working in the underground economy. If these persons were counted as employed,
a. both the unemployment rate and labour-force participation rate would be higher.
b. the unemployment rate would be lower and the labour-force participation rate would be unaffected.
c. the unemployment rate would be higher and the labour-force participation rate would be higher.
d. both the unemployment rate and labour-force participation rate would be lower.

A2. A college student who is not working or looking for a job is counted as
a. neither employed nor unemployed.
b. unemployed and in the labour force.
c. unemployed, but not in the labour force.
d. employed and in the labour force.

A3. The natural unemployment rate includes
a. neither frictional nor structural unemployment.
b. structural, but not frictional unemployment.
c. frictional, but not structural unemployment.
d. both frictional and structural unemployment.

A4. If the working-age population increases, then the
a. unemployment rate will increase.
b. number of people employed will increase.
c. size of the labour force will increase.
d. total number of people aged 15 years and above will increase.
e. labour force participation rate will increase.

A5. In a country with a working-age population of 20 million, 13 million are employed, 1.5 million are unemployed, and 1 million of the employed are working part-time, half of whom wish to work full-time. The size of the involuntary part-time rate is
a. 5 percent.
b. 7.5 percent.
c. 12.5 percent.
d. 2.5 percent.
e. None of the above is correct

A6. Janet loses her job and immediately begins looking for another. Other things being equal, the unemployment rate
a. increases, and the labour-force participation rate decreases.
b. increases, and the labour-force participation rate is unaffected.
c. is unaffected, and the labour-force participation rate increases.
d. decreases, and the labour-force participation rate is unaffected.

A7. Between 2016 and 2017, the country of Colgate reported an increase in the number of people who were employed. It also reported an increase in the unemployment rate. Which of the following would best explain the two reports?

a. There was an increase in the size of the labour force between 2016 and 2017.
b. There was a decrease in the size of the labour force between 2016 and 2017.
c. There was an increase in the size of the adult population between 2016 and 2017.
d. The two reports are contradictory and can't be reconciled.

A8. The labour-force participation rate measures the percentage of the

a. labour force that is either employed or unemployed.
b. total adult population that is in the labour force.
c. labour force that is employed.
d. total adult population that is employed.
e. None of the above are correct.

A9. Which of the following is incorrect?

a. The unemployment rate is computed using the number of unemployment insurance claims filed.
b. Each adult included in the unemployment statistics is classified as employed, unemployed, or not in the labour force.
c. Unemployment numbers include people aged sixteen and older.
d. Statistics Canada gathers data on unemployment and employment.

A10. Who of the following would be counted as unemployed according to official statistics?

a. Shasta, who is currently not working and is waiting for her new job to start
b. Mary, who worked only 35 hours last week
c. Karen, who neither has a job nor is looking for one
d. None of the above would be counted as unemployed.

A11. Statistics Canada defines the unemployment rate as the percentage of

a. those unemployed relative to the percentage employed.
b. labour force that is unemployed.
c. adult population that is unemployed.
d. labour force without fulltime employment.
e. None of the above are correct.

A12. Which of the following definitions is correct?

a. Labor force = number of employed.
b. Labor force = population – number of unemployed.
c. Unemployment Rate = (number of unemployed ÷ [number of employed + number of unemployed]) x 100.
d. Unemployment Rate = (number of unemployed ÷ adult population) x 100.
e. None of the above is correct.

A13. The employment rate is computed as the number of adults

a. in the labour force ÷ the population aged 15+ (working-age) x 100.

b. Employed ÷ the number of unemployed x 100.
c. employed ÷ the population 15+ x 100.
d. x the participation rate x 100
e. None of the above is correct.

A14. In Canada, the working-age population refers to:
a. the civilian, noninstitutionalized population of those between ages 15 and age 64.
b. the population of those aged 14 and over.
c. the noninstitutionalized population of those between ages 15 and 64.
d. the civilian, noninstitutionalized population aged 15 and over.

A15. The labour force consists of people in the working-age population who are:
a. not retired, a stay-at-home parent.
b. either employed or in school.
c. currently working or who would like to work and are actively trying to find a job.
d. those who are disabled and can't work.

A16. If the labour force participation rate is 64 percent, this means that:
a. 64 percent of all working age people were employed or unemployed.
b. 64 percent of all working age people wanted a job.
c. there was 36 percent unemployment.
d. All of these are correct interpretations of the labour force participation rate.

A17. If you hear that unemployment decreased by 2 percentage points to 6 percent in the past year, while the labour force participation rate remained constant, it means:
a. on a net basis, 2 out of every 10 people lost their job in the last year.
b. on a net basis, 4 out of every 100 unemployed persons found a job in the last year.
c. on a net basis, 20 out of every 1,000 unemployed persons found a job in the last year.
d. on a net basis, 2 out of every 100 people lost their job in the past year.

A18. Discouraged workers are people who have:
a. not looked for work in the past year but would take a job if one was offered to them.
b. looked for work in the past year but have given up looking because of the condition of the labour market.
c. looked for work in the past year but have decided to leave the labour market to go back to school, retire, or be a stay-at-home parent.
d. not looked for work in over a year because of the condition of the labour market.

A19. An economic slow-down would cause the:
a. labour demand curve to shift right.
b. labour supply curve to shift right.
c. labour demand curve to shift left.
d. labour supply curve to shift left.

A20. An economic boom predicts the new equilibrium wage would be:
a. Higher because the labour demand curve shifts right.
b. lower because the labour demand curve shifts left.

c. lower because the labour demand curve shifts right.
d. higher because the labour demand curve shifts left.

A21. When economists say wages are "sticky," they mean that they:
a. fall behind current market trends and follow a typical two-week lag with changes in the economy.
b. stick to current market trends and adjust to equilibrium when changes in the economy occur.
c. lead market trends, and other variables will stick to the wage rate and follow it closely.
d. are slow to adjust to changes in the economy, and can cause unemployment.

A22. Efficiency wages are:
a. wages deliberately set above the market rate to increase productivity.
b. an incentive for an employee to work slower.
c. a cause of underemployment.
d. All of these are true.

A23. The unemployment rate is equal to
a. 1 – (employment rate ÷ participation rate)
b. 1 + (employment rate ÷ participation rate)
c. (employment rate ÷ participation rate)
d. 1 – employment rate.

A24. Which of the following is characteristic of the natural rate of unemployment? It is
a. a constant.
b. the desirable rate of unemployment.
c. a variable that cannot be altered by economic policy.
d. the amount of unemployment that the economy normally experiences.

A25. Which answer is not a cost of unemployment?
a. social
b. sunk
c. economic
d. psychological

B. Aggregate Demand and Supply

B1. Which of the following does not affect aggregate supply?
a. capital stock
b. wages
c. expected future profits
d. aggregate labour hours
e. technological change

B2. A vertical long-run aggregate supply curve indicates that
a. an increase in the price level will permit the economy to achieve a higher level of output.
b. the long-run aggregate supply curve never changes.
c. an increase in the price level will not expand an economy's output in the long run.
d. an increase in the price level will promote technological change and hence economic growth.
e. output rates greater than the long-run output rate cannot be reached.

B3. The short-run aggregate supply curve indicates
a. the relationship between the price level and the natural rate of unemployment.
b. the various quantities of real GDP producers will supply at different price levels.
c. the relationship between the price level and real GDP demanded by consumers, investors, governments, and net exporters.
d. the relationship between the purchasing power of wages and the quantity of labour supplied by households.
e. the various quantities of real GDP producers will supply at different income levels.

B4. The short-run aggregate supply curve depicts the relationship between real GDP supplied and
a. the price of a major output produced in the economy such as that of Ford.
b. real income.
c. the price level as measured by the GDP deflator.
d. the relative price of real GDP.
e. the price level as measured by the CPI.

B5. 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. Aggregate hours of labour supplied.
d. Technology.
e. Raw material prices.

B6. All else remaining the same, potential GDP increases if
a. technology advances.
b. price falls.
c. wages fall.
d. the labour force decreases.

e. the capital stock decreases.

B7. All else remaining the same, the short-run aggregate supply curve shifts right if
a. climatic conditions worsen.
b. wages increase.
c. the capital stock falls.
d. raw material prices increase.
e. the labour force increases.

B8. Suppose there is an increase in the capital stock. As a result, the SAS
a. and the LAS curves will both shift to the left. The horizontal distance between the two SAS curves and the two LAS curves is the same.
b. will shift to the right but the LAS curve stays in the same position.
c. does not shift curve but the LAS curve shifts to the left.
d. does not shift but the LAS curve shifts to the right.
e. and the LAS curves will both shift to the right. The horizontal distance between the two SAS curves and the two LAS curves is the same.

B9. A technological improvement will shift
a. both SAS and LAS leftward.
b. both SAS and AD rightward.
c. LAS rightward but leave SAS unchanged.
d. both SAS and LAS rightward.
e. SAS rightward but leave LAS unchanged.

B10. Complete the following sentence. If wages fall, then
a. AD shifts to the right.
b. SAS shifts to the right.
c. LAS shifts to the right.
d. firms hire less labour.
e. C and D.

B11. An increase in the money wage rates will shift
a. both SAS and LAS rightward.
b. both SAS and LAS leftward.
c. SAS rightward, but leave LAS unchanged.
d. SAS leftward, but leave LAS unchanged.
e. LAS rightward, but leave SAS unchanged.

B12. The quantity of real GDP demanded is the sum of real consumption expenditure (C), investment (I),
a. government expenditures (G), and exports (X) minus imports (M).
b. and exports (X) minus imports (M).
c. government expenditures (G), exports (X), and imports (M).
d. exports (X), and imports (M).
e. and government expenditures (G).

B13. The aggregate demand curve has a negative slope because
a. firms will increase the quantity supplied as the price level rises.
b. of the wealth effect.

c. as the price level rises, people shift from consuming foreign goods to consuming domestic goods.
d. people find substitutes when the price of a good that they typically buy increases.
e. of the same reason that individual demand curves have a negative slope.

B14. If the price level rises, then the wealth effect will lead to
a. a decrease in real wealth, an increase in current consumption expenditure, and an increase in saving.
b. an increase in real wealth, an increase in current consumption expenditure, and a decrease in saving.
c. a decrease in real wealth, a decrease in current consumption expenditure, and an increase 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.

B15. The aggregate demand curve will shift if
a. the quantity of money stays constant, but the price level rises.
b. business firms perceive a change in expected future profits.
c. there is a change in wage rates.
d. there is an increase or decrease in the price level.
e. the foreign exchange rate remains constant.

B16. The aggregate demand curve (AD) illustrates that, as the price level falls, the
a. value of assets falls.
b. quantity of real GDP demanded increases.
c. quantity of real GDP demanded decreases.
d. quantity of nominal GDP demanded increases.
e. quantity of nominal GDP demanded decreases.

B17. Which one of the following is a reason for the negative slope of the aggregate demand curve?
a. The nominal balance effect.
b. The income effect.
c. The real wage effect.
d. The expected inflation effect.
e. The substitution effects.

B18. When an economy is operating along its long-run aggregate supply curve,
a. the real GDP demanded will exceed the real GDP supplied.
b. the actual rate of unemployment will equal the natural rate of unemployment.
c. unemployment will fall to a low rate that is not likely to last into the future.
d. the actual rate of inflation will be greater than the anticipated rate of inflation.
e. inflation must be positive.

B19. If prices of productive resources remain constant, an increase in aggregate demand will cause a(n)
a. increase in the price level, but no change in real GDP.

b. increase in the price level and an increase in real GDP.
c. increase in the price level and a decrease in real GDP.
d. decrease in the price level and a decrease in real GDP.
e. decrease in the price level and an increase in real GDP.

B20. In an aggregate demand and aggregate supply graph, an expansionary fiscal policy can be illustrated by a:
a. leftward shift in the aggregate demand curve.
b. change in the price level.
c. leftward shift in the aggregate supply curve.
d. rightward shift in the aggregate demand curve.

B21. The aggregate demand curve shows the:
a. direct relationship between the price level and real GDP produced.
b. direct relationship between real-balances and real GDP purchased.
c. inverse relationship between interest rates and real GDP produced.
d. inverse relationship between the price level and real GDP purchased.

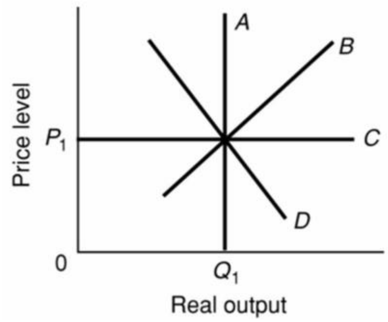
B22. The interest rate effect indicates that a(n):
a. increase in the price level will increase the demand for money, reduce interest rates, and decrease consumption and investment spending.
b. decrease in the price level will increase the demand for money, increase interest rates, and decrease consumption and investment spending.
c. increase in the supply of money will increase interest rates and decrease interest-sensitive consumption and investment spending.
d. decrease in the price level will decrease the demand for money, decrease interest rates, and increase consumption and investment spending.

B23. A decrease in aggregate demand is most likely to be caused by:
a. a decrease in tax rates on household income.
b. an increase in consumer confidence.
c. an increase in interest rates for home mortgages.
d. an increase in the wealth of consumers.

B24. An expected rise in the rate of inflation for consumer goods will:
a. decrease aggregate demand. b. increase aggregate demand.
c. increase aggregate supply. d. decrease aggregate supply.

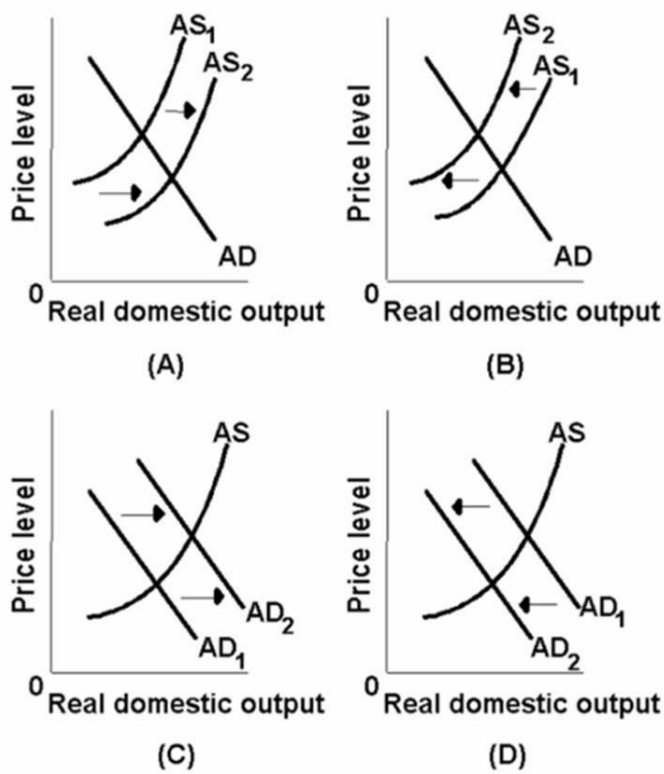
B25. A decrease in government spending will cause a(n):
a. increase in aggregate demand.
b. decrease in aggregate demand.
c. increase in the quantity of real domestic output demanded.
d. decrease in the quantity of real domestic output demanded.

B26. If the price level rises above P_1 because of an increase in aggregate demand, the:



a. short-run aggregate supply curve B will automatically shift to the right.
b. economy will move up along curve B and output will temporarily increase.
c. long-run aggregate supply curve C will shift upward.
d. economy's output first will decline, then increase, and finally return to Q_1.

B27. Which of the diagrams below best portrays the effects of an increase in foreign spending on our products?
a. A b. B c. C d. D



C. Fiscal Policy

C1. Which one of the following statements is true? The tax multiplier
a. has the same value as the government expenditures multiplier except during recessions.
b. is smaller than the government expenditures multiplier.
c. is larger than the government expenditures multiplier during recoveries.
d. always equals the government expenditures multiplier.
e. is larger than the government expenditures multiplier.

C2. The closed-economy government expenditure multiplier is
a. 1/(1 - MPC).
b. MPC/(1 - MPC).
c. 1/MPC.
d. -1/(1-MPC).

C3. An automatic stabilizer works by
a. decreasing fluctuations in aggregate expenditure and, therefore, increasing fluctuations in real GDP.
b. increasing fluctuations in aggregate expenditure and, therefore, decreasing fluctuations in real GDP.
c. increasing fluctuations in aggregate expenditure and, therefore, increasing fluctuations in real GDP.
d. making the aggregate supply curve steeper and, therefore, decreasing fluctuations in real GDP.
e. decreasing fluctuations in aggregate expenditure and, therefore, decreasing fluctuations in real GDP.

C4. Due to automatic stabilizers, when income rises
a. government outlays equal tax revenues.
b. the economy will automatically return to the original income level.
c. government outlays rise and tax revenues fall.
d. the economy will automatically go to full employment.
e. government outlays fall and tax revenues rise.

C5. Alpha economy is tax-free, has closed borders and an MPC=0.6 If the government desires to shift the AD curve rightward by $5 billion, the government should increase its expenditures by
a. $7.5 billion.
b. $8.33 billion.
c. $2.5 billion.
d. $3 billion.
e. $2 billion.

C6. If the MPC is 0.6, and the government desires to shift the AD curve rightward by $6 billion, the correct change in autonomous taxes is
a. -$2.5 billion.
b. -$1.5 billion.

c. -$4 billion.
d. -$2 billion.
e. insufficient information to answer.

C7. A discretionary fiscal policy
a. is independent of the level of real GDP.
b. involves only a change in government outlays.
c. involves only a change in personal tax rates.
d. requires a decision by Parliament.

C8. Fiscal policy is:
a. Conference Board of Canada decisions.
b. government decisions about the level of the interest rate in the economy.
c. government decisions about the level of taxation and public spending.
d. the decisions that affect the available money supply in the economy.

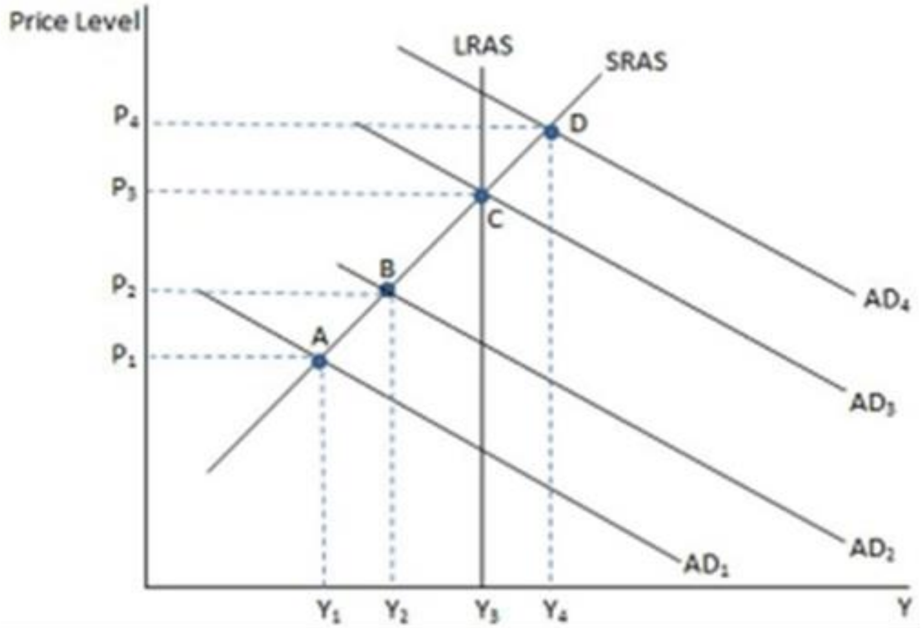
C9. Fiscal policy affects aggregate demand
a. directly through tariffs.
b. directly through government spending.
c. directly through taxation.
d. All of these are true.

C10. If the government wished to shift aggregate demand to the right, it might:
a. increase income taxes.
b. increase government spending.
c. pressure the Bank of Canada to decrease the money supply.
d. Any of these things might cause aggregate demand to shift to the right.

C11. If the government decreases the income tax rate, they assume it will affect which component of GDP?
a. G
b. NX
c. C
d. A change to the income tax rate will not affect any of these components.

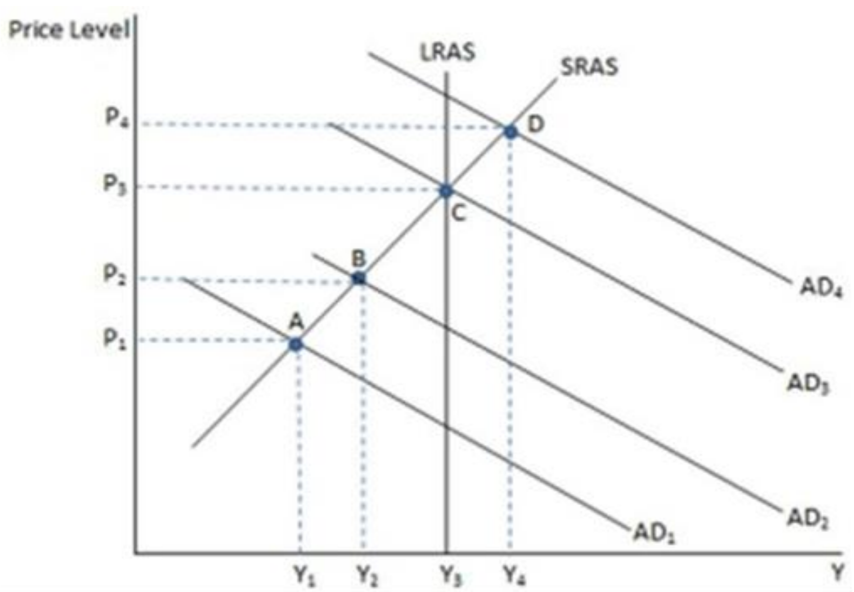
C12. Increased government spending is an example of:
a. contractionary fiscal policy.
b. contractionary monetary policy.
c. expansionary fiscal policy.
d. expansionary monetary policy.

C13. Assuming the economy is represented by the graph below, if the government were to enact an expansionary fiscal policy, it would be most likely to:
a. move from equilibrium B to A.
b. move from equilibrium A to B.
c. cause unemployment to temporarily fall.
d. cause deflation.



C14. If the economy in the graph below at point B, and the government wished to bring the economy back to its long-run equilibrium, it might:

a. increase income tax.
b. decrease tax credits.
c. increase government spending.
d. All of these would move the economy to its potential GDP from point B.



C15. The consequence of an expansionary fiscal policy is usually:
a. an increase in both output (i.e., GDP) and prices.
b. an increase in prices and lower output.
c. a decrease in prices and higher output.
d. a decrease in prices and lower output.

C16. During times of economic boom, the spending on employment insurance:
a. likely goes up, since wages typically rise during booms.
b. likely stays roughly the same, as government spending in this way is through set criteria and not affected by the business cycle.
c. likely falls, since more people are working.
d. is usually based on discretionary fiscal policy.

C17. An example of an automatic stabilizer is:
a. flat tax system.
b. decreased tax revenues due to average incomes going up during a boom.
c. increased unemployment rates cause the government to pay out more in employment insurance benefits.
d. All of these are examples of automatic stabilizers.

C18. The amount by which consumption increases when after-tax income increases by $1 is called the:
a. marginal consumption revenue.
b. variable propensity to consume.
c. marginal propensity to consume.
d. consumption multiplier effect.

C19. If a decrease of $250 in government spending causes GDP to decrease by $1,000, the MPC must be:
a. -4.
b. 2.
c. -0.75.
d. 0.75.

C20. If an increase of $500 in government taxes causes GDP to decrease by $2,000, MPC must be:
a. -3.
b. -4.
c. -0.80.
d. 0.80.

C21. Discretionary fiscal policy refers to:
a. the authority of Parliament to change personal income tax rates.
b. any change in government spending or taxes which destabilizes the economy.
c. changes in taxes and government expenditures made by Parliament to stabilize the economy.
d. the changes in taxes and transfers which occur as GDP changes.

C22. Fiscal policy refers to the:
a. altering of the interest rate to change aggregate demand.
b. fact that equal increases in government spending and taxation will be contractionary.
c. manipulation of government spending and taxes to stabilize domestic output, employment, and the price level.
d. manipulation of government spending and taxes to achieve greater equality in the distribution of income.

C23. Expansionary fiscal policy is so named because it:
a. is designed to expand real GDP.
b. involves an expansion of the nation's money supply.
c. is aimed at achieving greater price stability.
d. necessarily expands the size of government.

C24. Expansionary monetary policy is so named because it:
a. is designed to expand real GDP.
b. involves an expansion of the nation's money supply.
c. is aimed at achieving greater price stability.
d. necessarily expands the size of government.

D. Basics of Finance

D1. The financial system:
a. connects the government to those truly in need of public services.
b. gathers information about the economy to inform the public.
c. is used to help individuals keep track of the general price level.
d. brings together savers and borrowers in a set of interconnected markets where people trade a variety of financial products.

D2. A bank acts as ________ between buyers and sellers.
a. an interpersonal communicant
b. an intermediary
c. a negotiator
d. an agent

D3. A bank provides:
a. risk diversification; that is, access to cash when and where you want it.
b. liquidity; that is, it connects buyers to sellers to ease saving and borrowing.
c. risk diversification; that is, connecting buyers and sellers to ease saving and borrowing.
d. liquidity; that is, access to cash when and where you want it.

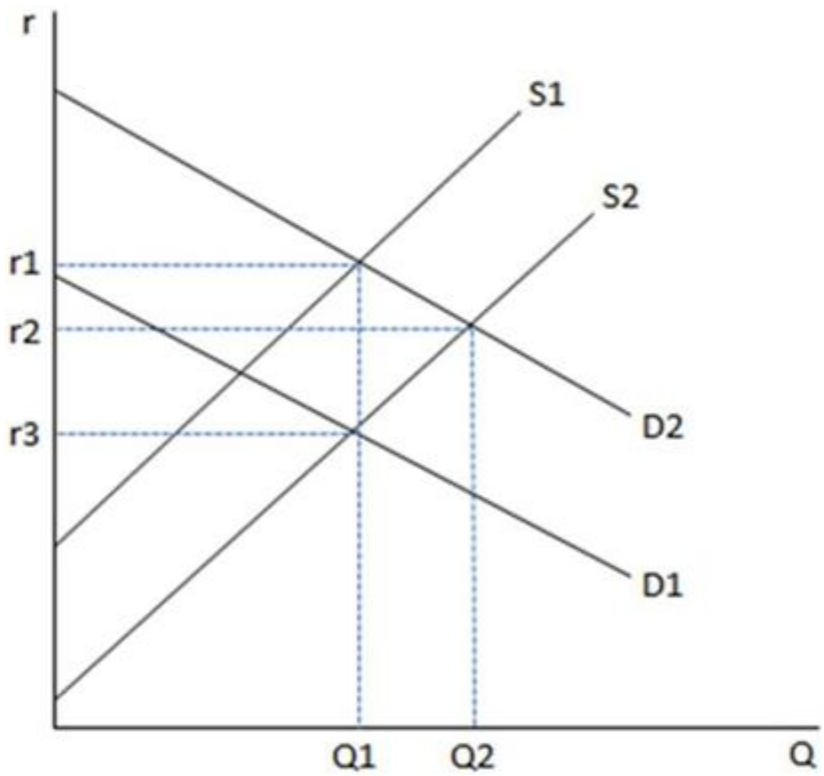
D4. A bank allows us to diversify risk because:
a. it has a big pool of borrowers and savers, so the risk of repayment is spread among many.
b. it has a small number of borrowers and savers, so it can connect the optimal saver to the best-matched borrower.
c. it has a big pool of borrowers, but not many savers, so it can choose the riskiest person to borrow from.
d. it has a small number of borrowers, but many savers, so it can combine savings to make larger loans.

D5. The market for loanable funds is a market in which:
a. borrowers buy and sell loans.
b. borrowers supply funds to savers, who want loans for their investment spending needs.
c. savers supply funds to those who want to borrow for their investment spending needs.
d. savers interact to set the interest rate for loans.

D6. The portion of income that is not immediately spent on consumption of goods and services is:
a. investment.
b. savings.
c. loanable funds.
d. consumption spending.

D7. Savers supply funds to those who want to borrow for their investment spending needs in the:
a. market for interest rates.
b. market for loanable funds.
c. stock market.
d. market for savings.

D8. Suppose people become more optimistic that the economy will be doing well over the next decade. How will the market for loanable funds as depicted in the graph below be affected?
a. Supply will shift to the left from S2 to S1.
b. Supply will shift to the right from S1 to S2.
c. Demand will shift to the right from D1 to D2.
d. Demand will shift to the left from D2 to D1.



D9. If citizens expect to bear more of the burden for their own health care and retirement costs in the future, then we would expect their:
a. demand for loanable funds further right than it would otherwise be.
b. supply of loanable funds further right than it would otherwise be.
c. demand for loanable funds further left than it would otherwise be.
d. supply of loanable funds further left than it would otherwise be.

D10. Investment decisions are based on the trade-off between:
a. the future value of the loan and the present value of the loan.

b. the interest rate that savers will earn and the interest rate that the borrowers will have to pay.
c. the potential profits that could be generated by an investment and the cost of borrowing money to finance that investment.
d. None of these is true.

D11. If an asset is considered liquid, then it:
a. cannot be sold quickly for cash without much loss of value.
b. can be sold quickly for cash but tends to lose value.
c. is preferred by banks.
d. can be sold quickly for cash without much loss of value.

D12. A bond is:
a. a promise by the bond issuer to pay a lump sum at a specified maturity date, and, in some cases, to pay periodic interest at a specific percentage rate.
b. a financial asset that represents partial ownership of a company.
c. an agreement in which a lender gives money to a borrower in exchange for a promise to repay the amount loaned plus an agreed-upon amount of interest.
d. a payment made periodically to all shareholders of a company.

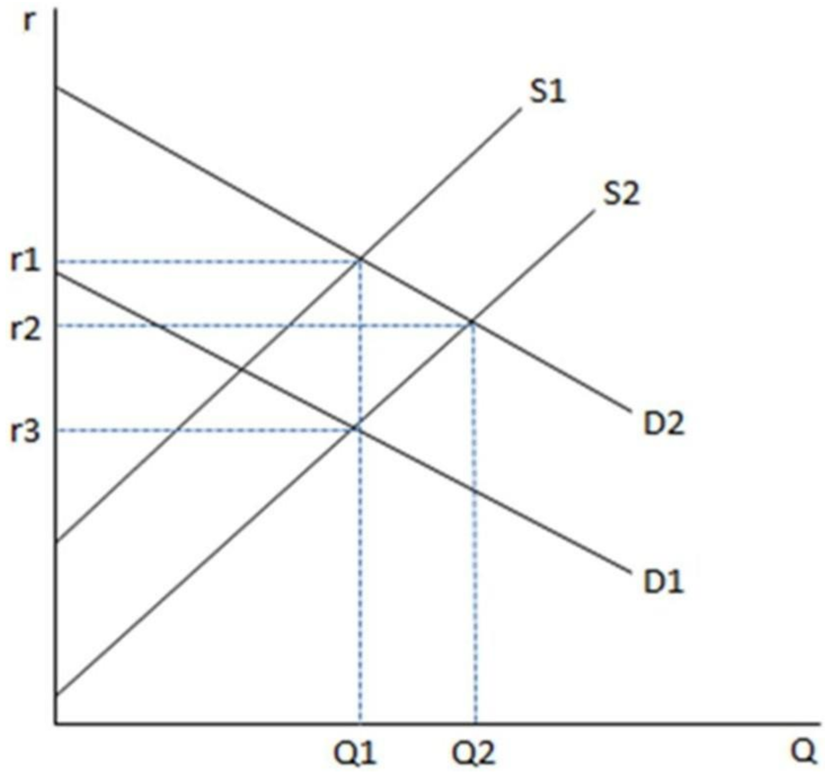
D13. The basic trade-off in valuing any asset is between:
a. amount of risk and rate of return.
b. rate of return and amount of loan.
c. rate of return and length of loan.
d. amount of risk and length of loan.

D14. The higher is the current level of saving:
a. the lower is the current level of investment and lower the future level of consumption.
b. the higher is the current level of investment and lower the future level of consumption.
c. the lower is the current level of investment and higher the future level of consumption.
d. the higher is the current level of investment and higher the future level of consumption.

D15. A bank provides:
a. liquidity; that is, it connects buyers to sellers to ease saving and borrowing.
b. liquidity; that is, access to cash when and where you want it.
c. risk diversification; that is, access to cash when and where you want it.
d. risk diversification; that is, connecting buyers and sellers to ease saving and borrowing.

D16. Savings and investment are equal:
a. because banks regulate their flow.
b. at the equilibrium in the market for loanable funds.
c. at an interest rate set by the Bank of Canada.
d. All of these are true.

D17. Market for loanable funds. A change that increased the quantity people want to save at any given interest rate would cause a new equilibrium at a:



a. higher interest rate and a higher equilibrium quantity of funds saved and invested.
b. higher interest rate and a lower equilibrium quantity of funds saved and invested.
c. lower interest rate and a higher equilibrium quantity of funds saved and invested.
d. lower interest rate and a lower equilibrium quantity of funds saved and invested.

D18. Crowding out is a reduction in:
a. government borrowing that is caused by an increase in private borrowing.
b. private borrowing that is caused by an increase in government borrowing.
c. corporate borrowing that is caused by an increase in private borrowing.
d. private borrowing that is caused by an increase in corporate borrowing.

D19. When the government increases its demand for loanable funds, it causes the cost of borrowing to
a. increase, which increases private demand for loanable funds.
b. decrease, which increases private demand for loanable funds.
c. decrease, which decreases private demand for loanable funds.
d. increase, which decreases private demand for loanable funds.

D20. The basic trade-off in valuing any asset is between
a. rate of return and length of loan. b. rate of return and amount of loan.
c. amount of risk and rate of return. D. amount of risk and length of loan.

Questions	Section A	Section B	Section C	Section D	Questions
1	D	C	B	D	1
2	A	C	A	B	2
3	D	B	E	D	3
4	D	C	E	A	4
5	D	A	E	C	5
6	B	A	C	B	6
7	C	E	D	B	7
8	B	E	C	C	8
9	C	D	B	B	9
10	A	B	B	C	10
11	B	D	C	D	11
12	C	A	C	A	12
13	C	B	B	A	13
14	D	C	C	D	14
15	C	B	A	B	15
16	A	B	C	B	16
17	C	E	C	C	17
18	D	B	C	B	18
19	C	B	D	D	19
20	A	D	D	C	20
21	D	D	C		21
22	A	D	C		22
23	A	D	A		23
24	C	B	B		24
25	B	B			25
26		B			
27		C			