ANSWERS - Chapter 12 – Aggregate Demand and Aggregate Supply – Quick Quiz

AGGREGATE SUPPLY

1. The aggregate supply curve (short-run):
A. graphs as a horizontal line.
**B. is steeper above the full-employment output than below it.**
C. slopes downward and to the right.
D. presumes that changes in wages and other resource prices match changes in the price level.

2. The aggregate supply curve (short-run) is upsloping because:
A. wages and other resource prices match changes in the price level.
B. the price level is flexible upward but inflexible downward.
**C. per-unit production costs rise as the economy moves toward and beyond its full-employment real output.**
D. wages and other resource prices are flexible upward but inflexible downward.

3. Other things equal, appreciation of the dollar:
A. increases aggregate demand in the United States and may increase aggregate supply by reducing the prices of imported resources.
B. increases aggregate demand in the United States and may decrease aggregate supply by reducing the prices of imported resources.
**C. decreases aggregate demand in the United States and may increase aggregate supply by reducing the prices of imported resources.**
D. decreases aggregate demand in the United States and may reduce aggregate supply by increasing the prices of imported resources.

4. The economy's long-run aggregate supply curve:
A. slopes upward and to the right.
**B. is vertical.**
C. is horizontal.
D. slopes downward and to the right.

5. Graphically, cost-push inflation is shown as a:
A. leftward shift of the AD curve.
B. rightward shift of the AS curve.
**C. leftward shift of AS curve.**
D. rightward shift of the AD curve.