

**Hird, Macroeconomics - Final Examination – Solutions**

**Note: The following solutions correspond to the macroeconomics exam that was created for use with Hird, *Working with Economics: A Canadian Framework*, Sixth Edition.**

**Part A: Multiple Choice**

1. b

2. b

3. c

4. d

5. b

6. b

7. a

8. c

9. a

10. d

11. d

12. a

13. c

14. c

15. a

16. d

17. c

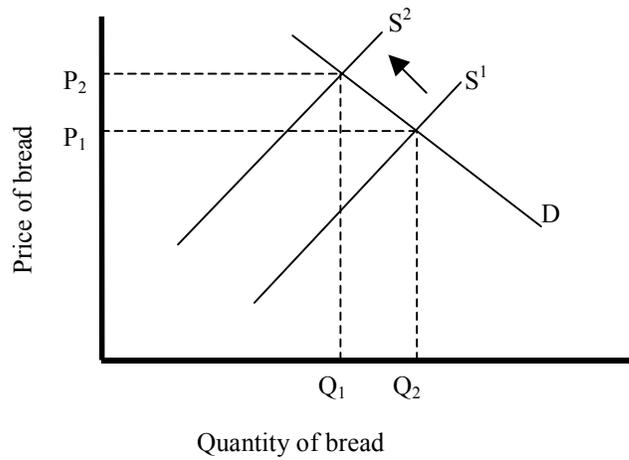
18. a

19. d

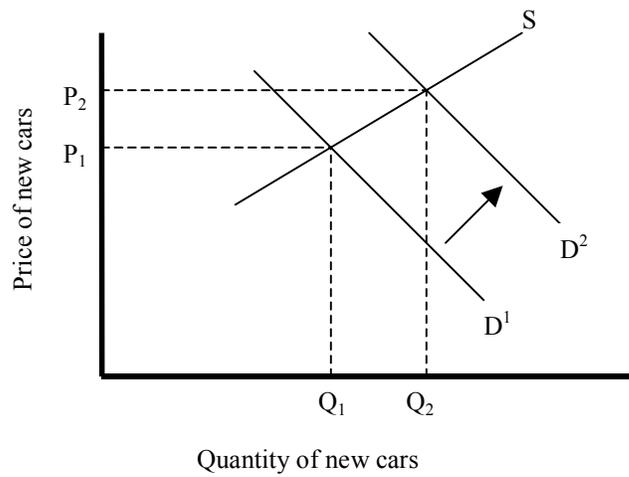
20. b

**Part B: Short Answers**

1. a the supply curve shifts to the left:



1.b. the demand curve shifts to the right:



2. a. shortage
- b. frictionally
- c. production-possibilities curve
- d. interest rate
- e. open market operations
- f. inelastic
- g. any two of the following: incomes; prices of other goods; tastes and

preferences; expectations about the future; population

**h.** precautionary

**i.** demand deficient

$$3.a. \quad \Delta GDP = - \left[ \Delta T \times \frac{MPC}{1 - MPC} \right]$$

$$2 = -[\Delta T \times 0.8 / 0.2]$$

$$2 = -\Delta T \times 4$$

$$T = -0.5 \text{ billion}$$

**3.b.** Select five of the following

- durable
- portable
- divisible
- recognizable and readily accepted
- not easily copied
- face value greater than actual value

4.a. 
$$\Delta GDP = \Delta C \times \frac{1}{1 - MPC}$$

$$\Delta GDP = 800 \times 1 / (1 - 0.8)$$

$$\Delta GDP = 800 \times 5 = \$4,000 \text{ million}$$

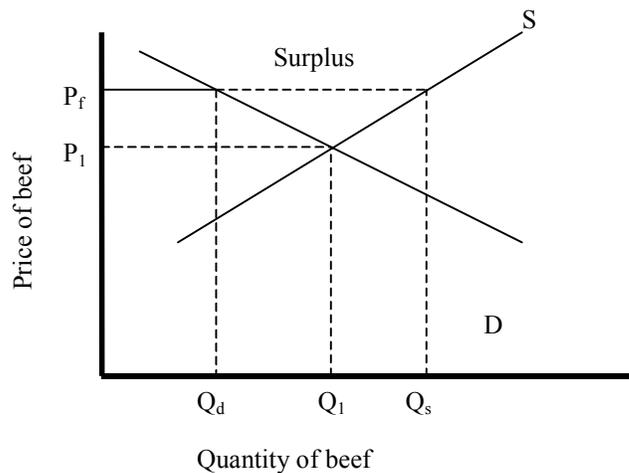
- 4.b. 1. demand pull      2. cost push

Consumer Price Index

month

hyperinflation

- 5.a. A price floor will result in a surplus of beef.



- 5.b.  $GDP = \text{consumption} + \text{gross investment} + \text{government spending on goods and services} + \text{exports} - \text{imports}$

- 6.a. Five reasons for the increased participation rate for women include: improvements in household technology, changes in attitudes; expansion of the retail trade and service sectors of the economy; increased levels of education; marrying later; fewer children per family; and more single parents.

- 6.b. decreases  
increase  
decreases  
decreases  
increases

- 7.a. flexible exchange rate: the foreign-exchange value of a nation's currency

determined by the interaction of market forces and not set by government

- b. marginal tax rate: the percentage of any additional income that is paid in taxes
- c. bank rate: the trend-setting interest rate set by the Bank of Canada and the rate paid by chartered banks when borrowing from the Bank of Canada

- d. dumping: the practice of selling a product in a foreign market for a lower price than it is sold for in the domestic market
- e. Phillips Curve: a graphical representation portraying the negative relationship between rates unemployment and rates of inflation