

Rutgers Introduction to Macroeconomics Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	9
Explanations	11
Next Steps	17

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. If the money stock doubles from one period to the next and real GDP remains constant, what happens to the price level?**
 - A. The price level falls by half.**
 - B. The price level doubles.**
 - C. The price level remains unchanged.**
 - D. Prices rise, but not by a predictable amount.**

- 2. Deflation is best described as which of the following?**
 - A. It occurs when unemployment rate falls**
 - B. It occurs when the average price level rises**
 - C. It occurs when the average price level declines**
 - D. It occurs when economic activity rises**

- 3. A sudden increase in oil prices represents a supply shock that shifts which curve in the AD-AS framework?**
 - A. AD curve shifts to the right.**
 - B. AS curve shifts to the left.**
 - C. LRAS curve shifts to the right.**
 - D. AD curve shifts to the left.**

- 4. Why is the long-run aggregate supply curve vertical, and what determines its level?**
 - A. Because in the long run, output is determined by resources and technology, not the price level; LRAS is vertical at potential output.**
 - B. Because the price level in the long run is what drives output.**
 - C. LRAS is always horizontal.**
 - D. LRAS shifts with money growth.**

- 5. The Fed pursued policies resulting in which combination of levels in the 1970s and early 1980s to combat inflation?**
 - A. Low; Inflation**
 - B. Low; Recession**
 - C. High; Recession**
 - D. High; Inflation**

- 6. Which statement best describes the long-run neutrality of money?**
- A. In the long run, money affects both prices and real variables.**
 - B. In the long run, changes in the money supply affect only the price level; real variables revert to their natural levels.**
 - C. Money affects unemployment in the long run.**
 - D. Money has no effects in the long run.**
- 7. Sustainable long-run economic growth is growth that can continue in the face of which of the following?**
- A. Unemployment**
 - B. Inflation**
 - C. Decreasing global population growth**
 - D. a limited supply of natural resources and the negative effects of past economic growth**
- 8. Fewer purchases online with credit cards would lead to what change in the money market?**
- A. A downward movement along a fixed money demand curve.**
 - B. The money demand curve to shift outward.**
 - C. The money demand curve to shift inward.**
 - D. An upward movement along a fixed money demand curve.**
- 9. Which statement about climate change and economic growth is false?**
- A. Tackling climate change issues is likely only to modestly dent long-term economic growth.**
 - B. Poorer countries have historically been responsible for the bulk of world carbon emissions because of poor technology and environmental regulations.**
 - C. Carbon emissions are positively correlated with economic growth.**
 - D. Air and water quality in developed countries is generally better today than several decades ago.**

10. The capital/financial account records what?

- A. Net cross-border financial asset and liability flows**
- B. Net exports**
- C. Government budget balance**
- D. GDP growth rate**

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Answers

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1. B
2. C
3. B
4. A
5. D
6. B
7. D
8. D
9. B
10. A

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Explanations

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1. If the money stock doubles from one period to the next and real GDP remains constant, what happens to the price level?
- A. The price level falls by half.
 - B. The price level doubles.**
 - C. The price level remains unchanged.
 - D. Prices rise, but not by a predictable amount.

The money stock and the price level move together through the equation $MV = PY$, where V is how often money circulates, P is the price level, and Y is real GDP. If the money stock doubles and real GDP remains the same, and we assume velocity is unchanged, then the left side (MV) doubles. To keep the equality, the right side (PY) must also double. Since Y is constant, P must double as well. So the price level rises to twice its original level. If velocity weren't constant, the exact amount of price change could differ, but with a stable V the outcome is a doubling of the price level.

2. Deflation is best described as which of the following?
- A. It occurs when unemployment rate falls
 - B. It occurs when the average price level rises
 - C. It occurs when the average price level declines**
 - D. It occurs when economic activity rises

Deflation is a sustained fall in the general price level. It means that, on average, the prices of goods and services are decreasing over time, which is the opposite of inflation and is tracked by measures like the CPI or the GDP deflator. Deflation can occur when demand for goods and services weakens or when productivity improvements push costs down, but it often has tricky economic consequences: it can increase the real burden of debt and lead people to delay purchases in hopes prices will drop further, potentially slowing economic activity. This description fits best because it captures the idea of a declining average price level. The other statements describe situations that are about unemployment, rising prices, or rising economic activity, none of which define deflation.

3. A sudden increase in oil prices represents a supply shock that shifts which curve in the AD-AS framework?
- A. AD curve shifts to the right.
 - B. AS curve shifts to the left.**
 - C. LRAS curve shifts to the right.
 - D. AD curve shifts to the left.

A sudden rise in oil prices acts as a negative supply shock, raising production costs across the economy. In the AD-AS framework, this shows up as a leftward shift of the short-run aggregate supply curve: at every price level, firms can produce less because inputs are more expensive. The immediate effect is higher overall price levels and lower real output in the short run (and unemployment tends to rise). The long-run aggregate supply isn't moved by a temporary price change in oil, and the aggregate demand curve isn't directly driven by this shock, so the key change is the leftward shift of the AS curve.

4. Why is the long-run aggregate supply curve vertical, and what determines its level?

A. Because in the long run, output is determined by resources and technology, not the price level; LRAS is vertical at potential output.

B. Because the price level in the long run is what drives output.

C. LRAS is always horizontal.

D. LRAS shifts with money growth.

Long-run aggregate supply is vertical because, over time, the quantity the economy can produce (potential output) is set by real factors like resources and technology, not by the price level. When the price level changes, wages and other input costs adjust, so output returns to the same level of potential GDP. The level of potential output is determined by the amount of labor, the stock of capital, and productivity from technology and institutions. Money growth and price changes influence demand and prices, but they don't change the economy's capacity to produce in the long run. Only shifts in resources or technology move the vertical LRAS curve left or right: more resources or better technology raise potential output; fewer resources or weaker productivity lower it.

5. The Fed pursued policies resulting in which combination of levels in the 1970s and early 1980s to combat inflation?

A. Low; Inflation

B. Low; Recession

C. High; Recession

D. High; Inflation

When the Fed fights inflation, it uses contractionary monetary policy by raising interest rates to slow spending and investment. That tighter money supply cools inflation, but it also slows the economy, typically driving up unemployment and producing a recession in the short run. In the late 1970s and early 1980s, the Fed did just that under Volcker: rates were pushed very high, inflation eventually came down, but unemployment rose sharply and a recession followed. So the period is best described by a high level of unemployment associated with a recession, not by high inflation. The other pairings don't match what happened: inflation remained a concern before the tightening and fell only after the recession began, so a combination implying low unemployment or low inflation isn't what characterized that era.

6. Which statement best describes the long-run neutrality of money?
- A. In the long run, money affects both prices and real variables.
 - B. In the long run, changes in the money supply affect only the price level; real variables revert to their natural levels.**
 - C. Money affects unemployment in the long run.
 - D. Money has no effects in the long run.

Money can influence prices, but in the long run it does not change real economic outcomes. When the money supply grows, prices rise but the economy's real pace of production, unemployment, and other real variables settle back to their natural or potential levels. So, the long-run effect is that the money supply shifts the price level while leaving real variables unchanged. That's why the statement describing changes in the money supply as affecting only the price level, with real variables reverting to their natural levels, is the best description. The other ideas imply money moves real variables or has no effect at all in the long run, which contradicts this long-run neutrality.

7. Sustainable long-run economic growth is growth that can continue in the face of which of the following?
- A. Unemployment
 - B. Inflation
 - C. Decreasing global population growth
 - D. a limited supply of natural resources and the negative effects of past economic growth**

Sustainable long-run growth is the kind of growth that can keep continuing even when the economy faces limits on its inputs and the costs that past growth has imposed. The crucial challenge is finite natural resources and the environmental and other negative effects that growth can create. If resources become scarcer or pollution and ecosystem damage reduce productive capacity, the economy's potential to grow can stall or slow dramatically. Unemployment and inflation describe other conditions in the economy but do not directly capture the constraint that would prevent growth from being sustained over time. Slower population growth changes the pace of growth but isn't the fundamental barrier to sustainability in the same way resource limits and the negative consequences of growth are. So the best answer highlights the limits of natural resources and the harmful side effects of past growth as the factors that sustainable growth must withstand.

- 8. Fewer purchases online with credit cards would lead to what change in the money market?**
- A. A downward movement along a fixed money demand curve.**
 - B. The money demand curve to shift outward.**
 - C. The money demand curve to shift inward.**
 - D. An upward movement along a fixed money demand curve.**

The money market idea here is about how much money people want to hold at a given interest rate. If fewer purchases are made online with credit cards, people end up relying more on cash for transactions, so the amount of money they want to hold increases. With the money supply held fixed in the short run, that higher demand for money pushes up the interest rate until money demanded equals the fixed supply. This adjustment happens as a change along the same money-demand curve—an upward movement along the curve as the interest rate rises. So the situation is best described as an upward movement along a fixed money-demand curve. In contrast, a shift of the money-demand curve would occur if determinants like income or price level changed, not just the interest rate. And the phrasing here points to movement along the curve due to the interest-rate adjustment, not a shift of the curve itself.

- 9. Which statement about climate change and economic growth is false?**
- A. Tackling climate change issues is likely only to modestly dent long-term economic growth.**
 - B. Poorer countries have historically been responsible for the bulk of world carbon emissions because of poor technology and environmental regulations.**
 - C. Carbon emissions are positively correlated with economic growth.**
 - D. Air and water quality in developed countries is generally better today than several decades ago.**

Emissions accumulate over time, so the biggest historical contributors are the economies that industrialized first and relied heavily on fossil fuels. Because of this, historically the bulk of world carbon emissions came from rich, industrialized countries rather than poorer ones. Poorer countries have contributed less cumulatively, though their annual emissions have risen as they grow, but they did not drive the historical totals to the same extent. The idea that poorer nations bear the bulk of emissions because of worse technology and looser regulations misidentifies the main driver and ignores the timing of industrial development and energy use. The other statements align with what we observe: climate action can involve modest long-run costs to growth and carbon emissions tend to rise with economic activity, while air and water quality in developed countries has improved over decades due to regulations and advances in technology.

10. The capital/financial account records what?

A. Net cross-border financial asset and liability flows

B. Net exports

C. Government budget balance

D. GDP growth rate

The main idea is that the capital/financial account records net cross-border financial asset and liability flows. It tracks how money moves between countries through ownership of financial assets and liabilities—what foreigners own in a country and what residents own abroad—including stocks, bonds, direct investments, loans, and changes in official reserves. This part of the balance of payments shows how a country finances its current account position: a current account deficit is typically financed by net inflows in the financial account. Net exports belong to the current account, not the capital/financial account; the government budget balance relates to fiscal policy; and GDP growth measures production, not cross-border financial transactions.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://rutgersintrotomacroeconomics.examzify.com>

We wish you the very best on your exam journey. You've got this!

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