

Rutgers Introduction to Macroeconomics Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	15

SAMPLE

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

SAMPLE

- 1. During a sovereign debt crisis in a small open economy, what is a likely movement in the currency?**
 - A. Currency appreciates**
 - B. Currency depreciates**
 - C. Currency remains pegged**
 - D. Currency becomes volatile randomly with no trend**

- 2. What is the debt-to-GDP ratio and why is it a useful indicator for evaluating a government's fiscal sustainability?**
 - A. Debt-to-GDP = total public debt divided by GDP; higher ratio indicates greater burden relative to economy; used to assess risk of default or distress.**
 - B. Debt-to-GDP = government revenue divided by GDP; measures tax burden.**
 - C. Debt-to-GDP = private debt divided by GDP; indicates private sector risk.**
 - D. Debt-to-GDP = total public debt times GDP; indicates economic growth.**

- 3. Real seigniorage is positive when which condition holds?**
 - A. The real interest rate is negative**
 - B. The growth rate of the money supply is positive**
 - C. The real money supply is negative**
 - D. The inflation rate is zero**

- 4. Which school would most likely argue that the economy is self-adjusting in the long run?**
 - A. New Classical**
 - B. Keynesian**
 - C. Classical**
 - D. Monetarist**

- 5. What does NAIRU stand for?**
 - A. Non-Accelerating Inflation Rate of Unemployment**
 - B. Non-Acceptable Inflation Rate of Unemployment**
 - C. National Average Inflation Rate of Unemployment**
 - D. Nearly Accelerating Inflation and Unemployment**

- 6. Seigniorage revenue arises from printing money to finance deficits.**
- A. It lowers inflation**
 - B. It reduces seigniorage**
 - C. It creates revenue by printing money to finance deficits**
 - D. It increases debt**
- 7. What is the key measure used to track economic growth?**
- A. Real GDP per capita**
 - B. Nominal GDP**
 - C. Nominal GDP per capita**
 - D. Real GDP**
- 8. 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.**
- 9. Why is the long-run Phillips curve vertical at the NAIRU?**
- A. below; ever-decelerating**
 - B. above; ever-accelerating**
 - C. equal to; zero**
 - D. below; ever-accelerating**
- 10. If the economy is at potential output and a negative supply shock is accommodated by an open market purchase, what happens to real GDP and inflation in the long run?**
- A. No change; a decrease**
 - B. An increase; an increase**
 - C. No change; an increase**
 - D. A decrease; a decrease**

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. During a sovereign debt crisis in a small open economy, what is a likely movement in the currency?

- A. Currency appreciates
- B. Currency depreciates**
- C. Currency remains pegged
- D. Currency becomes volatile randomly with no trend

A sovereign debt crisis in a small open economy tends to push the currency downward because risk and uncertainty rise and capital flows respond to that shift. With higher default risk and concerns about the country's ability to service its debt, investors pull back from domestic assets and move money into safer foreign assets. That creates excess supply of the domestic currency and demand for foreign currencies, causing the domestic currency to depreciate. The depreciation helps adjust external balances and can reflect the market's reassessment of the country's fundamentals under stress. The other possibilities require either a sustained surge in demand for the domestic currency, a credible fixed regime with ample reserves (which is unlikely in a crisis for a small country), or no trend at all—none of which align with the typical crisis dynamics, where depreciation and heightened volatility are common responses.

2. What is the debt-to-GDP ratio and why is it a useful indicator for evaluating a government's fiscal sustainability?

- A. Debt-to-GDP = total public debt divided by GDP; higher ratio indicates greater burden relative to economy; used to assess risk of default or distress.
- B. Debt-to-GDP = government revenue divided by GDP; measures tax burden.
- C. Debt-to-GDP = private debt divided by GDP; indicates private sector risk.
- D. Debt-to-GDP = total public debt times GDP; indicates economic growth.**

The debt-to-GDP ratio measures how large the government's debt burden is compared to the size of the economy. It is calculated by dividing total public debt by the gross domestic product (GDP). This ratio matters because it puts debt in the context of the economy's ability to generate output and tax revenue. A higher ratio means the government would need a larger share of economic resources to service interest and repay principal, which can signal greater fiscal strain and limits on future policy options. This indicator is useful for comparing across countries and over time because it standardizes debt against the economy's scale. It helps assess fiscal sustainability by considering not just how much debt there is, but how big the economy is, how fast it is growing, and what the interest costs on that debt are likely to be. When debt grows faster than GDP or interest costs rise, the burden tightens; when growth is strong and debt grows slowly, room for fiscal maneuvering improves. The ratio highlights why the others don't fit as measures of government debt burden: government revenue divided by GDP captures tax or revenue intensity, not the stock of debt; private debt divided by GDP reflects leverage in the private sector, not government sustainability; and debt times GDP is not a meaningful way to gauge burden or sustainability, since it mixes two scales into a product rather than a comparable ratio.

3. Real seigniorage is positive when which condition holds?

- A. The real interest rate is negative
- B. The growth rate of the money supply is positive**
- C. The real money supply is negative
- D. The inflation rate is zero

Real seigniorage is the revenue the government earns from issuing new money, measured in real terms as the change in real money balances (roughly, how much M/P grows). If the money stock grows, new money enters circulation and, all else equal, real money balances rise. That increase in M/P is the source of real seigniorage, so its sign is positive when the money supply grows. Inflation affects the size of that real gain, but the direct driver of positive real seigniorage in this framing is a positive growth rate of the money supply. If the money stock doesn't grow, or grows only alongside price level increases that keep M/P flat or falling, real seigniorage would not be positive.

4. Which school would most likely argue that the economy is self-adjusting in the long run?

- A. New Classical
- B. Keynesian
- C. Classical**
- D. Monetarist

In classical thinking, markets are flexible and prices and wages adjust freely. When there's a mismatch between supply and demand—like unemployment or excess supply—moves in prices and wages push the economy back toward balancing output with resources. Over the long run, this self-correcting process leads the economy to its potential level of output, with real variables determined by technology and resources rather than persistent mispricings. Because of this, government stabilization is seen as unnecessary for achieving full employment in the long run—the economy naturally gravitates there through market adjustments. Keynesian views emphasize that prices and wages can be sticky and that active policy is needed to close gaps in the short run, which is why they don't portray the economy as automatically self-correcting. Monetarists focus on how the money supply affects nominal variables and long-run price levels, not on automatic real-output corrections, and New Classical theories highlight expectations and market clearing but the classical description most directly captures the idea of a self-correcting long-run adjustment.

5. What does NAIRU stand for?

- A. Non-Accelerating Inflation Rate of Unemployment**
- B. Non-Acceptable Inflation Rate of Unemployment**
- C. National Average Inflation Rate of Unemployment**
- D. Nearly Accelerating Inflation and Unemployment**

NAIRU stands for the unemployment rate that does not accelerate inflation. In other words, it's the level of unemployment at which inflation remains stable; if unemployment drops below this level, demand pressures tend to push prices and wages up, causing inflation to rise, while if it is above this level, inflation tends to slow down. This idea is connected to the natural or structural rate of unemployment and helps explain why policymakers can't reliably push unemployment lower than this threshold without triggering faster inflation. The NAIRU isn't directly observed; economists estimate it and it can shift with changes in demographics, skills, and policy. The other phrases aren't standard terms and mix up the relationship between inflation and unemployment.

6. Seigniorage revenue arises from printing money to finance deficits.

- A. It lowers inflation**
- B. It reduces seigniorage**
- C. It creates revenue by printing money to finance deficits**
- D. It increases debt**

Seigniorage is the revenue the government earns when it finances its spending by creating money. When deficits are financed this way, the government gains a windfall equal to the value of the new money issued, minus the cost of producing it. That is exactly what the statement describes: revenue created by printing money to finance deficits. This approach tends to raise inflation rather than lower it, because more money chasing the same amount of goods pushes prices up. It doesn't reduce seigniorage; it is the source of seigniorage. And it doesn't straightforwardly increase debt—financing with money creation substitutes for borrowing, at least in the short run, rather than adding to debt in the same way issuing bonds would.

7. What is the key measure used to track economic growth?

- A. Real GDP per capita**
- B. Nominal GDP**
- C. Nominal GDP per capita**
- D. Real GDP**

Tracking economic growth means seeing how the economy's output grows over time after removing the effects of price changes and population. Real GDP per capita does exactly that: it uses real GDP (output adjusted for inflation) and divides by the population, giving the average output per person. This matters because real GDP alone can rise simply because more people are consuming or because inflation pushes up nominal values. Real GDP removes inflation to show true growth in production, but without considering population, you might miss whether that growth is actually translating into higher living standards for people. Real GDP per capita combines both adjustments, so it reflects how much output each person, on average, can enjoy, which is a clearer measure of progress over time.

8. 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.

9. Why is the long-run Phillips curve vertical at the NAIRU?
- A. below; ever-decelerating
 - B. above; ever-accelerating
 - C. equal to; zero
 - D. below; ever-accelerating**

In the long run, there is no permanent trade-off between inflation and unemployment once expectations adjust; the economy gravitates to the NAIRU, the unemployment rate at which inflation remains stable. If unemployment falls below the NAIRU, the tight labor market pushes wages and prices up, so inflation accelerates. That rising inflation changes expectations and behavior until unemployment moves back toward the NAIRU, leaving the long-run relationship vertical at that point. The option reflecting this idea says that unemployment is below the NAIRU and inflation is ever-accelerating. The other descriptions misstate how inflation behaves when unemployment is above the NAIRU or mischaracterize the long-run relationship.

10. If the economy is at potential output and a negative supply shock is accommodated by an open market purchase, what happens to real GDP and inflation in the long run?
- A. No change; a decrease
 - B. An increase; an increase
 - C. No change; an increase**
 - D. A decrease; a decrease

When the economy is at potential output, the long-run level of real GDP is determined by the economy's productive capacity, not by monetary policy. A negative supply shock moves SRAS left, pushing prices up and real GDP down in the short run. If the central bank offsets this with an open-market purchase (expansionary policy), aggregate demand rises and the short-run contraction is mitigated, with real GDP moving back toward potential. But as prices and wages adjust, real GDP returns to potential in the long run, while the higher price level from the shock and the expansionary policy leaves inflation elevated. So real GDP ends up unchanged at potential, and inflation increases.

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!

SAMPLE