1. Which of the following are macro-economic variables?
   I. Interest rates
   II. Economies of scale
   III. Price discrimination
   IV. Balance of payments
   (A) I and II only
   (B) I and IV only
   (C) II and III only
   (D) III and IV only

2. What is the Gross National Product at factor cost?
   (A) $253 m
   (B) $267 m
   (C) $268 m
   (D) $275 m

3. What is the Gross National Product at market prices?
   (A) $245 m
   (B) $268 m
   (C) $275 m
   (D) $448 m

4. Item 4 refers to the following diagram.

5. According to Monetarists, the demand for money is determined by the
   I. rate of interest
   II. level of income
   III. level of taxation
   IV. amount of savings
   (A) I and II only
   (B) I and IV only
   (C) II and III only
   (D) III and IV only

6. The consumption function is given as $C = a + bY$. In this equation 'b' represents
   (A) autonomous investment
   (B) autonomous consumption
   (C) marginal propensity to save
   (D) marginal propensity to consume
Item 7 refers to the following diagram showing the income expenditure model.

![Diagram of Aggregate Expenditure](image)

7. What does RS represent?

(A) Autonomous saving  
(B) The inflationary gap  
(C) The deflationary gap  
(D) Autonomous investment

8. Which of the following BEST defines 'real national income'?

(A) The actual GDP in any given year  
(B) The money value of national income  
(C) National income adjusted for inflation  
(D) GDP minus net property income from abroad

9. The curve N represents the total number of persons in the

(A) economy  
(B) labour force  
(C) employed bracket  
(D) unemployed bracket

10. The broken line between the AS$_L$ and the N curves represents the

(A) total labour force  
(B) equilibrium wage rate  
(C) natural level of unemployment  
(D) disequilibrium level of unemployment

11. Which of the following statements is TRUE of a country's Gross Domestic Product?

(A) Always smaller than Gross National Product  
(B) Reflects the total market value of all goods and services purchased in an economy in a given year  
(C) Reflects the total market value of all final goods and services produced in an economy in a given year  
(D) Is always larger than Net Domestic Product
12. "As wages increase the number of workers willing to work also increases." This statement explains why the
(A) aggregate supply curve for labour is upward sloping
(B) aggregate demand curve for labour is downward sloping
(C) equilibrium wage rate is maintained at $5000.00
(D) equilibrium national output is maintained by 20000 workers

13. Which of the following equations is correct?
(A) Nominal interest rate = Real interest rate - inflation
(B) Real interest rate = Nominal interest rate + inflation
(C) Real interest rate = Nominal interest rate x inflation
(D) Real interest rate = Nominal interest rate - inflation

14. The aggregate supply of labour curve shows the
(A) total number of people willing and able to work at different wage rates
(B) total number of people who require persons who are willing and able to work
(C) amount of goods a particular producer is selling
(D) amount of factor services a particular producer is selling

15. Which of the following CANNOT be used to measure inflation?
(A) GDP Deflator
(B) Expenditure Method
(C) Producer Price Index
(D) Consumer Price Index

16. What is the MOST LIKELY effect of a rise in interest rates?
(A) A fall in the savings rate
(B) An increase in investment
(C) An increase in bank lending
(D) An increase in the external value of a currency

17. Which of the following is an automatic fiscal stabilizer?
(A) State-required pension
(B) Unemployment benefits
(C) Fixed cost of living allowance
(D) Contribution to national income

18. What type of policy is a government implementing when it places a tax on gasoline?
(A) Expansionary fiscal policy
(B) Contractionary fiscal policy
(C) Expansionary monetary policy
(D) Contractionary monetary policy

19. Which of the following statements BEST describes the speculative demand for money?
(A) It is negatively related to the rate of interest.
(B) It is positively related to the rate of interest.
(C) It is not affected by the rate of interest.
(D) It is determined by the amount of assets available.

20. What is the MOST LIKELY effect of a fall in interest rates?
(A) A fall in bank lending
(B) A fall in the savings ratio
(C) A fall in the level of investment
(D) An increase in the external value of a currency
Item 21 refers to the following table which gives data on a country's national debt.

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Exports</th>
<th>Value of Imports</th>
<th>Interest per annum</th>
<th>Amount Borrowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>$500 million</td>
<td>$250 million</td>
<td>$40 million</td>
<td>$350 million</td>
</tr>
<tr>
<td>2005</td>
<td>$350 million</td>
<td>$100 million</td>
<td>$60 million</td>
<td>$130 million</td>
</tr>
</tbody>
</table>

21. From the data in the table, what conclusion can be drawn about the national debt from the period 1995 to 2005?

(A) The debt has increased.
(B) The debt has been repaid.
(C) Debt service ratio is constant.
(D) The debt service ratio has increased.

22. The velocity of circulation of money can be defined as the

(A) average time in which households spend their money income
(B) money stock in a given time period divided by the level of prices
(C) total value of transactions in a given time period divided by the average price level
(D) number of times in a given time period that a unit is used to purchase final output

24. According to the Keynesian model, the primary cause of large-scale unemployment is

(A) an increase in exports
(B) the existence of high prices
(C) the existence of low prices
(D) inadequate aggregate demand

25. The 'crowding out' effect refers to a situation in which a rise in government spending

(A) results in a rise in private investment spending
(B) results in a rise in private savings
(C) causes both interest rates and private investment to rise
(D) causes interest rates to rise and private investment spending to fall

23. What is the effect of a surplus budget on government's total debt?

(A) Total debt should increase.
(B) Total debt should decrease.
(C) Total debt should fluctuate.
(D) Total debt should remain the same.
26. A rightward shift of the liquidity preference curve is the result of:

(A) an increase in the rate of interest
(B) expectation of a fall in share prices
(C) an increase in the level of national income
(D) expectation of a depreciation of the exchange rate

28. The precautionary motive for holding money is based on

(A) uncertainties about the timing of receipts and payments by a firm’s customers
(B) uncertainties about the movement of bond and share prices
(C) the fact that money is needed for purchasing bonds and shares and money is received at intervals
(D) the fact that bond and share prices have been on a downward trend

29. The Central Bank determines the stock of money which does NOT change as interest rates change, therefore the money supply curve is

(A) upward sloping
(B) perfectly elastic
(C) perfectly inelastic
(D) downward sloping

30. A fiscal surplus is BEST defined as the

(A) sum of income collected by the government
(B) excess of total government revenues over total government expenditures
(C) amount of money spent by the government on social welfare benefits
(D) excess of total government expenditures over total government revenues

31. Which of the following defines ‘economic growth’?

(A) The increase in real per capita output over time
(B) An increase in the standard of living over time
(C) A representation of the maximum recovery of existing resources over time
(D) The meeting of two production possibility boundaries
32. Which of the following BEST explains the role of the World Trade Organization?
   (A) Setting the geographic boundaries for the conduct of world trade
   (B) Executing the taxes and tariffs for world trade
   (C) Providing protection for less developed countries
   (D) Setting the rules and regulations for the conduct of world trade

33. A multinational corporation is BEST described as a firm
   (A) with owners from different countries
   (B) that has production units in at least two countries
   (C) whose product is a household name and is sold across the globe
   (D) with sole production rights in at least two countries

34. Which of the following is an advantage of flexible exchange rates?
   (A) More goods and services are sold abroad.
   (B) More currency is kept within the home country.
   (C) Market forces establish balance of payments equilibrium automatically.
   (D) Market forces establish demand for goods and services automatically.

35. Which of the following refers to the creation of a single monetary and fiscal authority having jurisdiction over a number of countries?
   (A) Customs union
   (B) Free trade area
   (C) Economic union
   (D) Common market

36. An advantage of a fixed exchange rate system is that it
   (A) forces the government to constantly monitor its value
   (B) requires the strong support of government to maintain its value
   (C) can provide an automatic solution to balance of payment problems
   (D) reduces the uncertainties caused by fluctuating import and export prices

37. Which of the following factors is NOT a determinant of economic growth?
   (A) Globalisation
   (B) Technological advances
   (C) Improvement in labour productivity
   (D) Ownership of natural resources

38. Which of the following combinations is an example of privatisation?
   (A) Deregulation and franchising
   (B) Franchising and redistribution
   (C) Contracting out and regulation
   (D) Deregulation and nationalisation

39. Which of the following is NOT included in a balance of payment account?
   (A) Government budget account
   (B) Financial account
   (C) Capital account
   (D) Current account
40. Jamaica is a large-scale producer and exporter of bananas. However, it faces increasing competition for export markets from producers in countries like Costa Rica and Guatemala. Which of the following graphs shows the impact of competition on the exchange rate of the Jamaican dollar against the U.S. dollar? (Prices are quoted in U.S. dollars)

(A) ![Graph A]

(B) ![Graph B]

(C) ![Graph C]

(D) ![Graph D]

41. A trade deficit indicates that a country's imports
   (A) equal its exports
   (B) are less than its exports
   (C) are more than its exports
   (D) have decreased significantly

42. Which of the following factors are objectives of globalisation?
   (A) Trade liberalisation
   (B) Technological innovation
   (C) Promotion of different cultures
   (D) Liberalisation of capital markets

   (A) I, II and III only
   (B) I, II and IV only
   (C) I, III and IV only
   (D) II, III and IV only
43. Assuming both the European Union and Guyana have freely floating exchange rate systems, then an increasing demand for euros by Guyanese citizens will MOST likely cause the Guyana dollar to

(A) appreciate with the euro
(B) depreciate with the euro
(C) appreciate against the euro
(D) depreciate against the euro

Items 44 - 45 refer to the diagram below which shows the market for the United State dollar (US$).

44. Which of the following BEST describes the situation if the exchange rate were at $1 = £ 0.4?  

(A) The dollar would be undervalued.
(B) The dollar would be overvalued.
(C) Demand would be less than supply.
(D) The market would be in equilibrium.

45. What would be the equilibrium quantity of dollars ($)?

(A) Q1
(B) Q2
(C) Q3
(D) Q4