

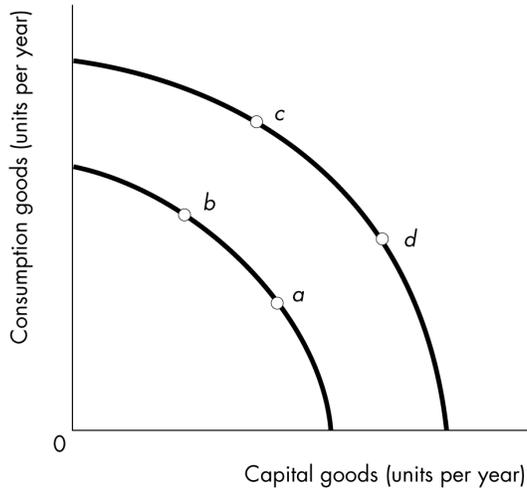
A First look at Macroeconomics:

- 1) Modern macroeconomics emerged
 - A) in the 1750s.
 - B) with the Great Depression.
 - C) after World War II.
 - D) during the Industrial Revolution.
- 2) The science of macroeconomics
 - A) solved the Great Depression.
 - B) did not solve the Great Depression but kept the U.S. economy from suffering.
 - C) emerged during the decade of the Great Depression.
 - D) did not evolve until after World War II and so had no connection to the Great Depression.
- 3) The year of the Great Depression was a time when the unemployment rate was
 - A) low and the amount of output was growing rapidly.
 - B) low and the amount of output was falling.
 - C) high and the amount of output was falling.
 - D) high and the amount of output was growing rapidly.
- 4) In 1933, the worst year of the Great Depression, the unemployment rate was
 - A) 5 percent of the labor force.
 - B) 10 percent of the labor force.
 - C) 25 percent of the labor force.
 - D) 70 percent of the labor force.
- 5) In 1933, the worst year of the Great Depression, total production in the United States was
 - A) identical to its 1929 level.
 - B) half of its 1929 level.
 - C) 70 percent of its 1929 level.
 - D) 20 percent of its 1929 level.
- 6) In 1933, the worst year of the Great Depression, total production in the United States was
 - A) 70 percent of its 1929 level, and 25 percent of the labor force was unemployed.
 - B) 25 percent of its 1929 level, and 70 percent of the labor force was unemployed.
 - C) 50 percent of its 1929 level, and 5 percent of the labor force was unemployed.
 - D) 90 percent of its 1929 level, and 5 percent of the labor force was unemployed.

- 7) During the Great Depression
- at one time the United States had an unemployment rate of 25 percent.
 - the United States avoided any economic damage thanks to macroeconomics.
 - John Maynard Keynes served as Vice President of the United States.
 - only the United States suffered.
- 8) The year 1933 was
- the best year for the United States during the Great Depression.
 - an average year for the United States with 2.5 percent unemployment.
 - the end of the Great Depression as the United States' economy grew by 7 percent.
 - the worst year for the United States during the Great Depression with an unemployment rate of 25 percent.
- 9) In *The General Theory of Employment, Interest, and Money*, John Maynard Keynes argued that to eliminate a depression governments should spend
- more to offset insufficient private spending.
 - more to offset excessive private spending.
 - less to offset excessive private spending.
 - less to offset insufficient private spending.
- 10) Keynes' prescription for eliminating the Great Depression required a policy action of
- additional taxes by government to decrease excessive spending in the economy.
 - additional spending by government to increase total spending in the economy.
 - decreased spending by government to decrease excessive total spending in the economy.
 - decreased spending by government to increase private spending in the economy.
- 11) John Maynard Keynes
- served as the U.S. Vice President during the Great Depression.
 - wrote *The General Theory of Employment, Interest and Money*.
 - opposed the development of macroeconomics.
 - was the Prime Minister of Great Britain during the Great Depression.
- 12) John Maynard Keynes
- focused on the short term in attempting to solve the Great Depression.
 - focused on the long term in attempting to solve the Great Depression.
 - worried mostly about long term consequences of any governmental action.
 - warned against the use of any short term governmental action.
- 13) In *The General Theory of Employment, Interest, and Money*, John Maynard Keynes argued for government policies that would eliminate
- the Great Depression and Keynes focused primarily on the economy's long-term problems.
 - the Great Depression and Keynes focused primarily on the economy's short-term problems.
 - inflation and Keynes focused primarily on the economy's long-term problems.
 - inflation and Keynes focused primarily on the economy's short-term problems.
- 14) During the 1960s and 1970s, the main economic problems of concern to policy makers were inflation, _____ economic growth, and _____ unemployment rates.
- slow; high
 - slow; low
 - high; high
 - high; low

- 15) Which of the following are examples of long-term economic policy issues?
- Inflation and recessions.
 - Inflation and slow economic growth.
 - Persistent unemployment and curing a depression.
 - Slow economic growth and recessions.
- 16) Which of the following is a long-run macroeconomic policy goal?
- reduce unemployment
 - increase inflation
 - promote steady growth
 - eliminate recession
- 17) Real GDP is defined as
- an increase in the average level of prices.
 - the value of total production when the unemployment rate is 6 percent.
 - the value of total production of all the nation's farms, factories, shops and offices measured in the prices of a single year.
 - the value of total production of all the nation's farms, factories, shops and offices measured at the prices of the year it was produced.
- 18) Real GDP is
- the best measure we have for total production, though it does have some flaws.
 - the worst measure we have of total production because it misses much of what is produced.
 - the best measure we have for total production because it doesn't miss anything.
 - ignored as a measure of total production because it does not take account of inflation.
- 19) Potential GDP is*
- another name for real GDP.
 - always different from real GDP.
 - the level of GDP not adjusted for price changes.
 - achieved when all factors of production are fully employed.
- 20) Potential GDP is
- the maximum GDP that an economy actually achieves throughout its entire history.
 - the level of GDP achieved during periods when 100 percent of the labor force is employed.
 - a goal that can never be achieved by the economy.
 - the value of production when all the nation's resources are fully employed.
- 21) Potential GDP is the
- the value of production with fully employed resources.
 - current value of production in the economy.
 - value of production when the economy is in a recession.
 - value of production when the economy is at a peak.
- 22) Real GDP
- fluctuates from year to year but is always below potential GDP.
 - fluctuates around potential GDP.
 - grows at a constant 3 to 4 percent per year.
 - can be called potential GDP when it is adjusted for price changes.

- 23) Economic growth is best defined as
- the rate of growth of employment.
 - the long-run expansion of the nation's production possibilities.
 - the rate of increase in economic productivity.
 - the business-cycle changes in total output.
- 24) Economic growth can be described as
- an increase in the inflation rate.
 - an increase in employment in the manufacturing sector.
 - an outward shift in the economy's production possibility frontier.
 - an undesirable goal because it is accompanied by severe inflation.
- 25) Economic growth in the United States can be characterized by
- movements along its *PPF*.
 - increases in potential GDP.
 - the productivity growth slowdown in the 1990s.
 - high rates of inflation.
- 26) Economic growth is measured by
- changes in real GDP.
 - changes in nominal GDP.
 - changes in the employment rate.
 - All of the above are used to measure economic growth.
- 27) Long-term economic growth is most closely associated with
- getting unemployment as low as possible.
 - increasing potential GDP.
 - bringing about deflation.
 - reducing the number of job changes in the economy.
- 28) Looking back over the past 40 years we see that the United States experienced
- growth consistently above 4 percent during each decade.
 - better growth during the 1990s than during the 1960s.
 - its best decade of growth during the 1960s.
 - its best decade of growth during the 1970s.
- 29) Using a production possibility frontier, economic growth is represented by an
- inward shift in the production possibility frontier so that less of each good can be produced.
 - outward shift in the production possibility frontier so that more of each good can be produced.
 - inward shift in the production possibility frontier so that more of each good can be produced.
 - outward shift in the production possibility frontier so that less of each good can be produced.



30) In the above figure, economic growth can be represented as the movement from

- A) point *a* to point *b*.
- B) point *b* to point *c*.
- C) point *c* to point *d*.
- D) point *d* to point *a*.

31) Which of the following apply to economic growth?

- I. Economic growth allows people to buy more goods and services in the future.
- II. Economic growth is the expansion of the economy's production possibilities.
- III. Economic growth is represented by the fluctuations of real GDP around potential GDP.

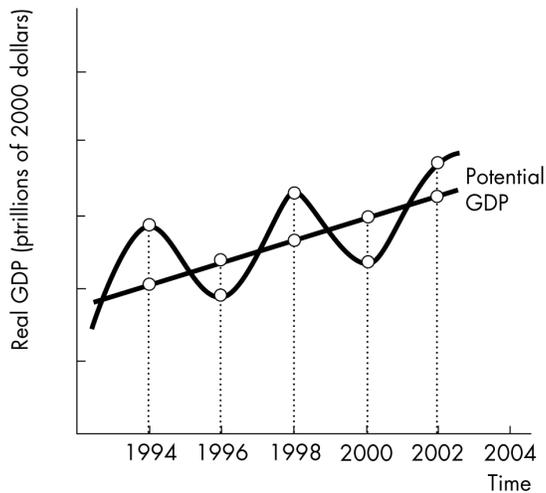
- A) I.
- B) I and II.
- C) I and III.
- D) I, II, and III.

Economic growth is measured using the increase in _____.

- A) real gross domestic product
- B) the Lucas wedge
- C) the consumer price index
- D) the unemployment rate

32) All of the following statements are true about real GDP EXCEPT

- A) it has a trend component and a fluctuating component.
- B) it measures changes in output and prices.
- C) in the United States, it shows a general upward drift.
- D) All of the above are false statements about real GDP.

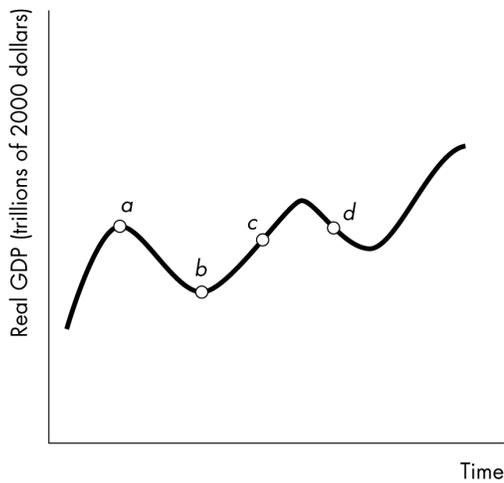


- 33) In the figure above, long-term economic growth can be seen as
- the growth in actual GDP from 1994 to 2002.
 - the growth in potential GDP from 1994 to 2002.
 - the fluctuations of real GDP around potential GDP.
 - the maximum point of real GDP as the economy moves through the business cycles.
- 34) The productivity slowdown refers to the
- increase in the growth rate of output per person that started during the 1970s.
 - decrease in the growth rate of output per person that started during the 1970s.
 - recession that occurred in 1981.
 - recession that occurred in 1991.

- 35) The growth rate of GDP per person since the 1960s has
- consistently risen as shown with the Lucas wedge.
 - remained constant and is measured by the Okun gap.
 - slowed, especially during the 1970s, and has resulted in losses estimated by the Lucas wedge.
 - risen, particularly during the 1970s, and has meant GDP has grown as measured by the Okun gap.
- 36) A business cycle is
- the pattern of short-run upward and downward movements in total output.
 - the increase in consumer spending that accompanies an increase in disposable income.
 - the cyclical change in the nation's balance of trade.
 - the cyclical movement in the interest rates.
- 37) The business cycle is defined as the
- regular growth rate of the real GDP.
 - regular fluctuations of real GDP below potential GDP.
 - irregular fluctuations of prices around real GDP.
 - irregular fluctuations of real GDP around potential GDP.
- 38) Business cycles
- are not regular cycles like the phases of the moon.
 - can be caused by the phases of the moon.
 - are more regular than the phases of the moon.
 - often follow changes in the phases of the moon.

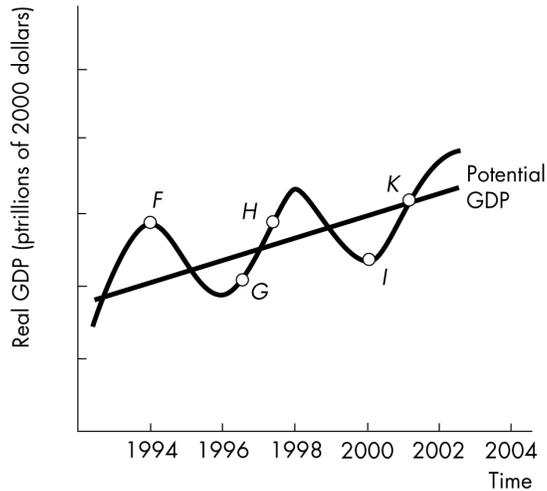
- 39) Business cycles are
- A) irregular, with some having two recessions and no expansion.
 - B) predictable, with a recession following a trough.
 - C) unpredictable, but always have two phases and two turning points.
 - D) unpredictable, and don't always have two phases and two turning points.
- 40) A recession
- A) follows a trough.
 - B) is defined as a period of negative real GDP growth.
 - C) comes just before a peak.
 - D) is a period during which real GDP expands.
- 41) A recession is
- A) a period during which real GDP increases for at least two successive quarters.
 - B) the low turning point of a business cycle.
 - C) the up turning point of a business cycle.
 - D) a period during which real GDP decreases for at least two successive quarters.
- 42) A recession is a period with
- A) negative growth rate in real GDP that lasts at least one quarter.
 - B) positive growth rate in real GDP that lasts at least one quarter.
 - C) positive growth rate in real GDP that lasts at least two quarters.
 - D) negative growth rate in real GDP that lasts at least two quarters.
- 43) An observer of the economy notices that over the last nine months the unemployment rate has increased from 5.6 percent to 8.7 percent. During the same time the rate of growth in real gross domestic product has become negative. From this information we might conclude that
- A) inflation is probably rampant in this economy.
 - B) a recession is occurring in this economy.
 - C) an expansionary phase of the business cycle is in process.
 - D) a peak in the business cycle will soon be reached.
- 44) A trough is the
- A) low turning point of a business cycle when an expansion begins.
 - B) low turning point of a business cycle when a recession begins.
 - C) up turning point of a business cycle when an expansion begins.
 - D) up turning point of a business cycle when a recession begins.
- 45) An expansion occurs when the level of real GDP is
- A) increasing.
 - B) decreasing.
 - C) at a cyclical peak.
 - D) at a cyclical trough.
- 46) An expansion
- A) follows a peak.
 - B) is defined as a period of negative real GDP growth.
 - C) comes just before a trough.
 - D) is defined as a period of real GDP increases.

- 47) An expansion ends when the economy
- A) hits a trough and then enters a recession.
 - B) hits a peak and then enters a recession.
 - C) begins to grow following a peak.
 - D) has grown for two quarters in a row.
- 48) A peak is the
- A) low turning point of a business cycle when an expansion ends.
 - B) low turning point of a business cycle when a recession ends.
 - C) upper turning point of a business cycle when an expansion ends.
 - D) upper turning point of a business cycle when a recession ends.



- 49) In the above figure, a recession begins at point _____ and an expansion begins at point _____.
- A) *a*; *b*
 - B) *b*; *c*
 - C) *b*; *a*
 - D) *d*; *c*

- 50) In the above figure, a trough is at point _____ and a peak is at point _____.
- A) *a*; *b*
 - B) *b*; *c*
 - C) *b*; *a*
 - D) *d*; *c*

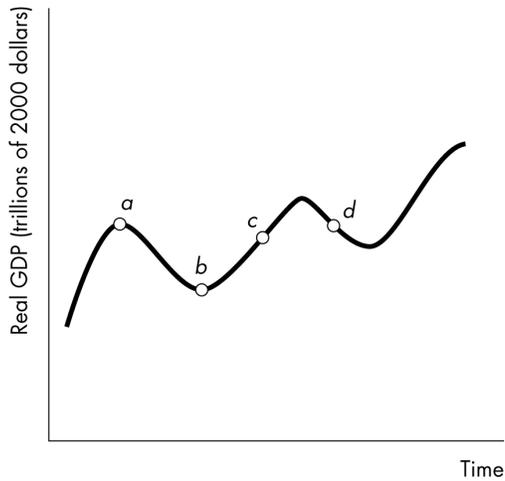


- 51) In the above figure, which point represents the under use of resources?
- A) point *F*.
 - B) point *G*.
 - C) point *H*.
 - D) point *K*.
- 52) In the above figure, which point represents the overuse of resources?
- A) point *F*.
 - B) point *G*.
 - C) point *I*.
 - D) point *K*.

- 53) In the above figure, which point represents an economy which is at the peak part of a business cycle?
- point *F*.
 - point *G*.
 - point *I*.
 - point *K*.
- 54) Most recently the U.S. economy
- has experienced an expansion since the 4th quarter of 2001.
 - has been along a recession which began in the 3rd quarter of 2001.
 - experienced several recessions since the 4th quarter of 2001.
 - was at a peak during the 4th quarter of 2001.
- 55) During the late 1990s the U.S. economy
- endured a recession that ended in the 1st quarter of 2001.
 - had real GDP below potential GDP.
 - experienced real GDP above potential GDP.
 - experienced real GDP that fluctuated around potential GDP.
- 56) In the United States, real GDP per person in 2003 was equal to approximately
- \$12,600
 - \$16,900
 - \$33,900
 - \$58,600
- 57) If we look at the U.S. economy over the past 130 years we see that
- real GDP expanded continuously throughout the period at a rate of 4.2 percent.
 - only potential GDP grew at a rate of 3.7 percent, without any growth in real GDP.
 - real GDP declined more often than it expanded.
 - real GDP averaged an annual growth rate of 3.7 percent.
- 58) If we compare U.S. GDP to other nations' GDP and the world GDP as a whole we see that the
- United States grew faster than some countries but slower than others.
 - United States had a lower growth rate than all other countries.
 - rest of the world always grew at a faster rate because it is bigger.
 - rest of the world always grew at a slower rate because it is bigger.
- 59) A meaningful measure that can be used to compare economic growth rates across countries is
- inflation per person.
 - nominal GDP.
 - potential GDP.
 - real GDP per person.
- 60) To study economic growth across countries, you should compare growth in _____ across countries.
- inflation rates.
 - real GDP.
 - unemployment.
 - real GDP per person.

- 61) Real GDP per person is defined as
- A) nominal GDP divided by the number of workers.
 - B) nominal GDP divided by total population.
 - C) real GDP divided by total population.
 - D) real GDP divided by the number of workers.
- 62) One of the costs of faster growth in GDP is that
- A) too many goods are available for consumption.
 - B) more money for research and development is available.
 - C) it does not increase the wealth available for all.
 - D) resources may be depleted more rapidly.
- 63) One of the costs of more rapid growth in GDP is that
- A) people must give up current consumption.
 - B) more money is available for research and development.
 - C) it does not increase the wealth available for all.
 - D) too many goods eventually are available for consumption.
- 64) Economic growth
- A) is always desired and faster growth has only benefits and no costs.
 - B) is paid for in part by less current consumption.
 - C) allows for greater current consumption.
 - D) costs us with less future consumption.
- 65) In 2003 in the United States the number of individuals with a job was approximately
- A) 17 million.
 - B) 37 million.
 - C) 137 million.
 - D) 217 million.
- 66) In 2003, _____ people held jobs in the U.S. economy.
- A) between 75 and 100 million.
 - B) between 95 and 105 million.
 - C) between 130 and 140 million.
 - D) between 250 and 270 million.
- 67) In characterizing U.S. job creation during the 1980s and 1990s we see that jobs were
- A) lost during the 1980s but created during the 1990s.
 - B) created at a faster annual rate during the 1980s than during the 1990s.
 - C) created during the 1980s but lost during the 1990s.
 - D) lost during both decades but at a faster rate during the 1980s.
- 68) The number of jobs in the U.S. economy
- A) stays constant over time because the same number of workers are lost during recessions as are created during expansions.
 - B) grows always, even during recessions.
 - C) has actually fallen as jobs have gone to places with lower wages around the globe.
 - D) generally grows over time, as fewer jobs are lost during recessions than are created during expansions.

- 69) During a recession, _____ jobs are destroyed than created and during an expansion _____ jobs are created than destroyed.
- more; more
 - fewer; fewer
 - more; fewer
 - fewer; more
- 70) The unemployment rate generally _____ during recessions and _____ during expansions.
- rises; falls
 - rises; rises
 - falls; rises
 - falls; falls
- 71) Which of the following is TRUE regarding the unemployment rate?
- The unemployment rate tells the percentage of the nation's population that is unemployed.
 - The unemployment rate measures unemployed labor hours.
- I only.
 - II only.
 - Both I and II.
 - Neither I nor II.
- 72) Looking at the history of U.S. unemployment rates during the 20th century we see that the rate
- was highest during the Great Depression when it reached 25 percent.
 - at the end of the century was greater than even the Great Depression.
 - was above 10 percent for much of the century.
 - was highest during the Great Depression when it equaled 10 percent.
- 73) The unemployment rate
- falls to 0 percent during expansions and goes up during recessions.
 - rises during expansions and falls during recessions.
 - never reaches 0 percent but rises during recessions and expansions.
 - never reaches 0 percent but rises during recessions and falls during expansions.
- 74) Looking at unemployment rates around the world over the past 20 years we see that
- the United States has had the highest unemployment rate most of the time.
 - Japan had the lowest unemployment rate most of the time.
 - Western Europe had the lowest unemployment rate most of the time.
 - the United States had the lowest unemployment rate most of the time.
- 75) In the 1990s, the range of the unemployment rate was approximately _____ percent.
- 4.0 to 7.5.
 - 9.0 to 12.5.
 - 2.5 to 4.5.
 - 11.0 to 25.0.
- 76) Over the last 20 years, _____ has generally had the lowest unemployment rate.
- Japan.
 - the United States.
 - Western Europe.
 - Canada.



77) Which of the following points is likely to be associated with the highest unemployment rate?

- A) a.
- B) b.
- C) c.
- D) d.

78) Which of the following economies has consistently achieved the lowest unemployment rate over the past 20 years?

- A) Canada
- B) Western Europe
- C) United States
- D) Japan

79) Unemployment is a serious economic problem because

- A) it coincides with higher inflation rates.
- B) it is spread unequally among the population.
- C) it adds to the human capital of workers.
- D) resources get diverted into illegal activities.

80) Inflation is a

- A) process of rising prices.
- B) process of falling prices.
- C) minor change in the price level.
- D) large, *one-time* fall in the price level.

81) Inflation is defined as a period where prices are

- A) rising, falling or stable.
- B) falling.
- C) rising.
- D) stable.

82) Deflation is a

- A) process of rising prices.
- B) process of falling prices.
- C) minor change in the price level.
- D) large, *one-time* hike in the price level.

83) The CPI can be used to measure

- A) expectations of the future rate of inflation.
- B) how consumer unemployment has changed.
- C) changes in average price of the goods and services bought by a typical urban household.
- D) the unemployment rates of discouraged workers.

84) If the inflation rate is positive, the price level in an economy is

- A) falling rapidly.
- B) rising.
- C) constant.
- D) falling slowly.

85) If the inflation rate is negative, the price level in an economy is

- A) falling.
- B) rising slowly.
- C) constant.
- D) rising rapidly.

86) If the inflation rate is negative, the _____ is falling and there is _____.

- A) unemployment rate; inflation
- B) price level; inflation
- C) price level; deflation
- D) unemployment rate; deflation

Period	Price index	Inflation rate (percent)
1	100	
2	117	A
3	125	B
4	120	C
5	D	8.3
6	150	E

87) In the table above, what inflation rate belongs in space A?

- A) 17.0 percent.
- B) 6.8 percent.
- C) 8.3 percent.
- D) -4.0 percent.

88) In the table above, what inflation rate belongs in space B?

- A) 17.0 percent.
- B) 6.8 percent.
- C) 8.3 percent.
- D) -4.0 percent.

89) In the table above, what inflation rate belongs in space C?

- A) 17.0 percent.
- B) 6.8 percent.
- C) 8.3 percent.
- D) -4.0 percent.

90) In the table above, what price level belongs in space D?

- A) 125.
- B) 130.
- C) 140.
- D) 145.

91) In the table above, what inflation rate belongs in space E?

- A) 17.0 percent.
- B) 6.8 percent.
- C) 8.3 percent.
- D) 15.4 percent.

92) If the CPI was 132.5 at the end of 2003 and 140.2 at the end of 2004, the inflation rate over these two years was

- A) 7.7 percent.
- B) 5.4 percent.
- C) 4.4 percent.
- D) 5.8 percent.

93) If the CPI was 121.5 at the end of 2003 and 138.3 at the end of 2004, the inflation rate over these two years was

- A) 10.2 percent.
- B) 13.8 percent.
- C) 12.2 percent.
- D) 16.8 percent.

- 94) If the CPI was 122.3 at the end of 2003 and 124.5 at the end of 2004, the inflation rate over these two years was
- A) 1.8percent.
 - B) 2.5percent.
 - C) 22.5percent.
 - D) 18.0percent.
- 95) If the CPI was 132.5 at the end of 2003 and 137.5 at the end of 2004, the inflation rate over these two years was
- A) 3.6percent.
 - B) 3.8percent.
 - C) 5.0percent.
 - D) Noneoftheaboveanswersis correct.
- 96) The price level last year was 120 in this year is 150 in 2004. What is the inflation rate between these two years.
- A) 2.5percent.
 - B) 20percent.
 - C) 25percent.
 - D) 30percent.
- 97) In 2003 the CPI was 108; in 2004 it was 112. The rate of inflation between 2003 and 2004 was
- A) 3.7percent.
 - B) 4.0percent.
 - C) 108percent.
 - D) 112percent.
- 98) In 2003 the CPI was 105; in 2004 it was 112. The rate of inflation between 2003 and 2004 was
- A) 6.7percent.
 - B) 7.0percent.
 - C) 105percent.
 - D) 112percent.
- 99) In 2004 the Consumer Price Index was equal to 163.8 and in 2003 it was equal to 157.5. What is the inflation rate over of this time period?
- A) 6.3percent
 - B) 4.0percent
 - C) 3.85percent
 - D) 10.1percent
- 100) The Consumer Price Index for country Beta in 2003 was equal to 203.5 and for 2004 it was 199.6. On the basis of this information which of the following statements is true?
- A) Beta experienced an inflation rate of 3.9percent.
 - B) Beta experienced a deflation rate of 3.9percent.
 - C) Beta experienced an inflation rate of 1.9percent.
 - D) Beta experienced a deflation rate of 1.9percent.
- 101) In the United States, the inflation rate
- A) rises and falls over the years.
 - B) is always rising.
 - C) is always falling.
 - D) remains a stable 3 percent over the years.
- 102) Since the 1930s, each year in the United States the price level has generally
- A) fallen.
 - B) risen.
 - C) remained stable.
 - D) experienced deflation.
- 103) In the United States, the inflation rate has
- A) remained almost constant over the past 25 years.
 - B) risen and fallen since the 1960s.
 - C) fallen as a result of OPEC oil price hikes.
 - D) fallen constantly over the past 30 years.

- 104) Looking at inflation rates in the United States since the 1960s, we see that
- inflation fell the most during the 1970s productivity slowdown.
 - the highest rates of inflation were the double digits during the 1990s.
 - the rate increased with the increased growth of the 1990s.
 - the 1970s experienced the highest rates of inflation.
- 105) In 2003 some people feared that the United States might be on the edge of
- rising inflation.
 - good inflation.
 - deflation.
 - stable prices.
- 106) The U.S. inflation rate has been _____ that of other industrial countries over the past 25 years.
- very different from
 - similar to
 - constantly greater than
 - constantly less than
- 107) Comparing other industrial countries' inflation rates with those of the United States since the early 1980s we see that the
- experiences have been similar with generally declining rates.
 - United States has had much higher rates.
 - other industrial countries have had much higher rates.
 - experiences have been very different between the two.
- 108) In comparing the inflation rates of developing countries to the industrial countries over the past 20 years we see that
- both groups had similar experiences throughout of high rates.
 - though their experiences were different, both saw rising rates most recently.
 - industrial countries have had higher rates though both groups have seen lower rates recently.
 - developing countries had high rates though both groups have seen lower rates recently.
- 109) Inflation is a problem when
- it is unpredictable.
 - it causes the value of money to vary unpredictably.
 - it causes resources to be diverted from productive uses.
 - All of the above answers are correct.
- 110) Unpredictable changes in the value of money, which brings about gains and losses, are a consequence of unpredictable changes in
- real GDP.
 - unemployment rate.
 - inflation.
 - productivity.
- 111) During a period of unpredictable inflation,
- the value of money changes unpredictably.
 - the price level falls unpredictably.
 - the Consumer Price Index falls.
 - the economy is unharmed.

- 112) The most serious type of inflation is called, which is defined as occurring when the inflation rate exceeds 50 percent a.
- A) hyperinflation; month
 - B) hyperinflation; year
 - C) superinflation; month
 - D) superinflation; year
- 113) Hyperinflation is defined as
- A) declining rates of inflation.
 - B) rising but low rates of inflation.
 - C) very high rates of inflation.
 - D) very low rates of inflation.
- 114) In a period of rapid, unexpected inflation, resources can be lost
- A) when firms invest in research and development instead of forecasting inflation.
 - B) when firms use resources to forecast inflation.
 - C) because a rapid inflation almost always turns into a hyperinflation.
 - D) Both answers B and C are correct.
- 115) Inflation has
- A) no costs but reducing it is costly.
 - B) some costs but reducing it is also costly.
 - C) some costs but reducing it is costless.
 - D) no costs and reducing it is costless.
- 116) When the federal government spends less than it collects in tax revenue,
- A) it has a government budget surplus.
 - B) it must enact fiscal policy.
 - C) it must enact monetary policy.
 - D) it has a government budget deficit.
- 117) The government has a budget surplus when government spending
- A) exceeds tax receipts.
 - B) is less than tax receipts.
 - C) equals tax receipts.
 - D) is zero.
- 118) The government has a budget deficit when government spending
- A) exceeds tax receipts.
 - B) is less than tax receipts.
 - C) equals tax receipts.
 - D) is zero.
- 119) If the government budget deficit stays the same and GDP increases, then
- A) the ratio of the deficit to GDP increases.
 - B) the ratio of the deficit to GDP stays the same.
 - C) the ratio of the deficit to GDP decreases.
 - D) without more information, it is impossible to determine if the ratio of the deficit to GDP increases, decreases, or stays the same.

- 120) Which of the following best describes the government budget situation in the United States?
- A) The government budget deficit has continually increased since 1980.
 - B) The U.S. government has had a budget surplus since 1990.
 - C) As a percentage of GDP, the budget deficit consistently increased throughout the 1990s.
 - D) The United States had a budget surplus between 1998 and 2000, while after 2001 the United States has had a budget deficit.
- 121) When the United States imports goods and services from the rest of the world,
- A) we receive payments from the rest of the world.
 - B) we make payments to the rest of the world.
 - C) we increase our inflation rate.
 - D) we decrease our inflation rate.
- 122) When we export goods to foreign countries, we
- A) receive payments from the rest of the world.
 - B) make payments to the rest of the world.
 - C) increase our inflation rate.
 - D) decrease our inflation rate.
- 123) The current account
- A) measures our exports minus our imports taking into account interest payments paid to and received from the rest of the world.
 - B) measures our imports minus our exports.
 - C) does not account for interest payments paid to and received from the rest of the world.
 - D) is part of GDP.
- 124) The current account is
- A) the difference between exports and imports, also taking into account interest payments to and from the rest of the world.
 - B) the amount of money the government keeps on hand to pay its bill taking account of the interest payments on its debt.
 - C) is the amount of tax revenue that the government expects to collect.
 - D) is the total amount of interest payments that the U.S. owes to foreign countries.
- 125) All of the following are policy goals targeted by macroeconomic policy EXCEPT
- A) reduce unemployment.
 - B) stabilize the business cycle.
 - C) increase the current account deficit.
 - D) control inflation.
- 126) All of the following are part of fiscal policy EXCEPT
- A) setting tax rates.
 - B) setting government spending.
 - C) choosing the size of the government deficit.
 - D) controlling the money supply.
- 127) Which of the following is included as part of fiscal policy?
- A) The level of government spending.
 - B) Money supply.
 - C) The level of interest rates.
 - D) Monetary policy.

- 128) Changes in which of the following is included as part of fiscal policy?
- A) The money supply.
 - B) The level of interest rates.
 - C) Monetary policy.
 - D) Tax rates.
- 129) Monetary policy is controlled by
- A) Congress.
 - B) the president.
 - C) the Federal Reserve.
 - D) the Treasury Department.
- 130) Which of the following is a policy tool of the Federal Reserve?
- A) Changes in interest rates.
 - B) Changes in government spending.
 - C) Changes in the government deficit.
 - D) Changes in tax rates.
- 131) Which of the following is a policy tool of the Federal Reserve?
- A) The level of government spending.
 - B) Changes in the money supply.
 - C) The government deficit.
 - D) Tax rates.
- 132) The principal goal of monetary policy is to
- A) reverse the productivity growth slowdown
 - B) keep the budget deficit small and/or the budget surplus large.
 - C) lower taxes
 - D) maintain low inflation
- 133) The principal aim of monetary policy is to
- A) change government spending to spur innovation.
 - B) keep inflation in check.
 - C) change tax rates to boost investment.
 - D) change tax rates to boost saving.
- 134) If the economy is in a too-rapid expansion, the Fed might
- A) decrease interest rates to stimulate the economy.
 - B) raise tax rates to restrain the economy.
 - C) decrease government spending.
 - D) increase interest rates to restrain the economy.
- 135) If the economy is in a recession, the Fed might
- A) reduce interest rates to stimulate the economy.
 - B) cut tax rates to stimulate the economy.
 - C) increase government spending.
 - D) increase interest rates.
- 136) During the Great Depression,
- A) the unemployment rate was 25 percent and the major focus of macroeconomics switched to economic growth.
 - B) productivity growth increased and the focus of macroeconomics changed to business cycles.
 - C) the unemployment rate was 25 percent and economists paid more attention to stimulating total spending.
 - D) John Maynard Keynes suggested that inflation was the major problem facing capitalist nations.

- 137) Which of the following statements about the slowdown in productivity growth is correct?
- A) The slowdown in productivity growth occurred only in Japan.
 - B) The slowdown in productivity growth occurred during the 1980s.
 - C) Potential GDP growth also decreased during this period.
 - D) Extremely high inflation rates were a major cause of the slowdown in productivity growth.
- 138) Suppose real GDP decreases in all four quarters of 2005; thus 2005 definitely would be a year
- A) of expansion.
 - B) with a business cycle peak.
 - C) of recession.
 - D) with a business cycle trough.
- 139) The unemployment rate generally rises during _____ in the business cycle.
- A) a peak
 - B) a recession
 - C) a trough
 - D) an expansion
- 140) Which of the following statements about the government budget is correct?
- A) Whenever tax revenues exceed government spending, the government has a budget deficit.
 - B) As a fraction of GDP, the budget deficit has increased steadily since 1980.
 - C) The government has had a budget deficit every year since 1970.
 - D) None of the above are correct
- 141) If last year's price level was 100 and this year's price level is 114, over the year the inflation rate has been
- A) 14 percent.
 - B) 114 percent.
 - C) 12 percent
 - D) 100 percent.
- 142) Which of the following is NOT a macroeconomic policy challenge?
- A) Boosting long-term growth.
 - B) Lowering unemployment.
 - C) Stabilizing the business cycle.
 - D) Raising the government budget deficit.
- 143) Which of the following is an example of monetary policy?
- A) Changing the level of the money supply.
 - B) Changing government spending.
 - C) Changing tax rates.
 - D) Changing the government's budget surplus

**Measuring GDP, Economic Growth,
and Inflation:**

- 1) domestic product is the total _____ produced within a country in a given time period.
 - A) market value of all final and intermediate goods and services
 - B) market value of all final and intermediate goods and services plus investment and depreciation
 - C) amount of final and intermediate goods and services
 - D) market value of all final goods and services

- 2) The circular flow diagram shows
 - A) how nominal GDP is distinct from real GDP.
 - B) how the prices of factors are determined.
 - C) the effects of inflation in a simple economy.
 - D) the flows between different sectors of the economy.

- 3) The circular flow diagram indicates that
 - A) households sell the services of factors of production to firms.
 - B) firms buy the services of factors of production from the government.
 - C) households sell goods and services to the government.
 - D) firms buy goods and services from households.

- 4) In the circular flow model of an economy with no government sector and no international trade, households
 - A) receive income from buyers of goods and services.
 - B) receive income from the sale of factors in the goods markets.
 - C) pay firms for the use of their factors.
 - D) receive income from producers for the use of factors in the factor markets.

- 5) In the circular flow diagram, aggregate expenditure includes the sum of
 - A) saving and investment.
 - B) consumption and investment.
 - C) consumption, investment, and saving.
 - D) income and saving.

- 6) In the circular flow of economic activity
 - A) aggregate expenditure measures the dollar value of purchases of factors.
 - B) aggregate expenditure measures the dollar value of purchases of final goods and services.
 - C) aggregate income measures the dollar value of labor resources only.
 - D) aggregate expenditure is measured as it moves through the financial markets.

- 7) The government's budget deficit is the excess of government
- purchases of goods and services over its interest payments on the government debt.
 - purchases of goods and services over its net taxes.
 - net taxes over its purchases of goods and services.
 - interest payments on the government debt over its net taxes.
- 8) If U.S. imports are less than U.S. exports, the
- rest of the world borrows from the U.S. economy.
 - U.S. economy borrows from the rest of the world.
 - U.S. government has a budget surplus.
 - U.S. government has a budget deficit.
- 9) If the rest of the world lends to the U.S. economy,
- the U.S. government has a budget surplus.
 - the U.S. government has a budget deficit.
 - U.S. imports are less than U.S. exports.
 - U.S. imports exceed U.S. exports.
- 10) When exports from the United States exceed imports into the United States, the rest of the world
- borrows from the United States or sells U.S. assets.
 - lends to the United States or sells U.S. assets.
 - borrows from the United States or buys U.S. assets.
 - lends to the United States or buys U.S. assets.
- 11) When imports into the United States exceed exports from the United States, the United States
- borrows from the rest of the world or sells foreign assets.
 - lends to the rest of the world or sells foreign assets.
 - borrows from the rest of the world or buys foreign assets.
 - lends to the rest of the world or buys foreign assets.
- 12) Which of the following are equal to one another?
- aggregate production
 - aggregate expenditure
 - aggregate income
- I equals II, but not III.
 - I equals III, but not II.
 - II equals III, but not I.
 - I equals II equals III.
- 13) Investment is financed by which of the following?
- Government spending
 - National saving
 - Borrowing from the rest of the world
- I, II, and III
 - I and II only
 - I and III only
 - II and III only
- 14) National saving is defined as the amount of saving by
- businesses.
 - households.
 - businesses and households.
 - businesses and households and the government.

- 15) National saving equals
- household saving + business saving.
 - household saving + business saving + government saving.
 - household saving + business saving + net taxes – government purchases of goods and services.
 - Both answers B and C are correct.
- 16) National saving is defined as
- the total amount of household saving.
 - personal saving by households and businesses plus government saving.
 - the saving by the federal government.
 - None of the above answers are correct.
- 17) If the government runs a budget deficit, then
- national saving is negative.
 - household but not business saving must pay for the deficit.
 - part of household and business saving finances the deficit.
 - national saving cannot fund investment.
- 18) If national saving (S) is \$100,000, net taxes (T) equal \$100,000 and government purchases of goods and services (G) are \$25,000, how much are household and business saving?
- \$25,000.
 - \$225,000.
 - \$25,000.
 - None of the above.
- 19) Suppose the U.S. spends more on foreign goods and services than foreigners spend on our goods and services and the U.S. sells no foreign assets. Then
- the United States must borrow an amount equal to national saving.
 - the United States must borrow an amount equal to imports minus exports.
 - the rest of the world may or may not finance the U.S. trade deficit.
 - the United States must borrow an amount equal to consumption expenditure plus investment.
- 20) If foreigners spend more on U.S.-made goods and services than we spend on theirs,
- foreigners must borrow from the United States or sell U.S. assets to make up the difference.
 - all U.S. national saving remains in the United States
 - we must borrow from foreigners because of flow imports.
 - funds flow in from abroad to help finance U.S. investment.
- 21) If four exports are \$1.2 billion and our imports are \$1.7 billion,
- the United States is lending to the rest of the world.
 - U.S. national saving is too high.
 - the United States is borrowing from the rest of the world.
 - U.S. investment must decrease.

- 22) A feature of a stock variable and a flow variable is that
- A) a stock is a quantity per unit of time and a flow is a quantity that exists at a point in time.
 - B) a stock is a quantity that exists at a point in time and a flow is a quantity per unit of time.
 - C) a stock only measures the value of goods and services produced in a country during a given time period.
 - D) an example of a stock variable is real GDP and an example of a flow variable is consumption expenditure.
- 23) Which of the following is a stock variable?
- A) Investment.
 - B) Income.
 - C) Wealth.
 - D) Saving.
- 24) GDP is
- A) a measure of the amount of government debt.
 - B) investment in the nation's economy.
 - C) stock.
 - D) flow.
- 25) Which of the following is a flow variable?
- A) investment.
 - B) capital.
 - C) the amount of money in your savings account.
 - D) the number of CD's you own.
- 26) Which of the following is NOT a flow variable?
- A) The number of DVD players sold per month.
 - B) The number of DVDs available at the library.
 - C) Annual spending on DVD rentals.
 - D) The number of DVDs produced per year.
- 27) Which of the following is a flow variable?
- A) Capital.
 - B) Gross domestic product.
 - C) Wealth.
 - D) The money in your pocket.
- 28) An example of a flow variable is
- A) capital.
 - B) consumption expenditure by households.
 - C) the machinery owned by a firm.
 - D) the cash held by households.
- 29) Which of the following is a stock variable?
- A) Capital.
 - B) Consumption expenditure by households.
 - C) Gross investment.
 - D) Depreciation.
- 30) An example of a stock quantity is
- A) real GDP.
 - B) consumption expenditure by households.
 - C) gross investment.
 - D) wealth.
- 31) Which of the following is FALSE about saving?
- A) Saving adds to wealth.
 - B) Income left after paying taxes can either be consumed or saved.
 - C) Saving equals wealth minus consumption expenditures.
 - D) Saving is a flow variable.

- 32) At the beginning of the year, your wealth is \$10,000. During the year, you have an income of \$90,000 and you spend \$80,000 on consumption. You pay no taxes. Your wealth at the end of the year is
- \$20,000.00.
 - \$0.
 - \$90,000.00.
 - \$100,000.00.
- 33) At the beginning of the year, your wealth is \$10,000. During the year, you have an income of \$80,000 and you spend \$90,000 on consumption. You pay no taxes. Your wealth at the end of the year is
- \$20,000.00.
 - \$0.
 - \$90,000.00.
 - \$100,000.00.
- 34) The term capital, as used in macroeconomics, refers to
- the plant, equipment, buildings, and inventories of raw materials and semi-finished goods.
 - financial wealth.
 - the sum of investment and government purchases of goods.
 - investment.
- 35) The term capital, as used in macroeconomics, refers to
- the amount of money that someone can invest in a new venture.
 - the amount of money a firm can raise in the stock market.
 - manufactured inputs, including inventories, buildings, machinery, etc.
 - All of the above answers are correct.
- 36) The term capital, as used in macroeconomics, includes all of the following except
- inventories.
 - equipment.
 - buildings.
 - a company's workforce.
- 37) Capital
- includes the plant, equipment, and buildings owned by firms.
 - increases when depreciation increases.
 - does not include semifinished goods used to produce other goods and services.
 - is a flow variable.
- 38) Depreciation
- does not change the level of capital in the economy.
 - is the decrease in the capital stock because of wear and tear.
 - is also known as capital consumption.
 - Both answers B and C are correct.
- 39) Investment, as defined in the text, refers to the purchase of
- new capital.
 - stocks and bonds.
 - durable goods by consumers.
 - All of the above answers are correct.
- 40) Which of the following is not included in the investment component of GDP?
- A household purchases a new washing machine.
 - Purchase of new equipment by a business.
 - A firm builds a new warehouse.
 - A business fails to sell all of its output and therefore experiences an increase in inventories.

- 41) Gross investment
- A) is the purchase of new capital.
 - B) includes only replacement investment.
 - C) does not include addition to inventories.
 - D) Both answers A and B are correct.
- 42) The total amount spent on adding to the stock of capital and on replacing depreciated capital is
- A) capital consumption.
 - B) gross investment.
 - C) depreciation.
 - D) the net stock of investment.
- 43) The total amount spent on adding to the stock of capital and on replacing depreciated capital is
- A) consumption on new capital.
 - B) depreciation.
 - C) gross investment.
 - D) net investment.
- 44) Economists define depreciation as
- A) the decrease in the capital stock from wear and tear and obsolescence.
 - B) the loss in stock market value of a company's value.
 - C) the drop in the price of a company's product.
 - D) All of the above answers are correct.
- 45) Depreciation is
- A) the sum of gross and net investment.
 - B) a stock variable that affects the economy's ability to produce.
 - C) the difference between gross investment and the capital stock.
 - D) one of the flow variables affecting the capital stock.
- 46) If the economy's capital stock increases over time,
- A) net investment is positive.
 - B) depreciation is less than zero.
 - C) depreciation exceeds gross investment.
 - D) gross investment equals depreciation.
- 47) If the economy's capital stock decreases over time,
- A) net investment is positive.
 - B) depreciation is less than zero.
 - C) depreciation exceeds gross investment.
 - D) gross investment equals net investment.
- 48) The Acme Stereo Company had a capital stock of \$24 million at the beginning of the year. At the end of the year, the firm had a capital stock of \$20 million. Thus its
- A) net investment was some amount but we need more information to determine the amount.
 - B) net investment was \$4 million for the year.
 - C) gross investment was zero.
 - D) net investment was -\$4 million for the year.
- 49) At the beginning of the year, Tom's Tubes had a capital stock of 5 tube inflating machines. During the year, Tom scrapped 2 old machines and purchased 3 new machines. Tom's net investment for the year totaled
- A) 1 machine.
 - B) 2 machines.
 - C) 3 machines.
 - D) 6 machines.

- 50) At the beginning of the year, Tom's Tubes had a capital stock of 5 tube inflating machines. During the year, Tom scrapped 2 old machines and purchased 3 new machines. Tom's gross investment for the year totaled
- 1 machine.
 - 2 machines.
 - 3 machines.
 - 6 machines.
- 51) At the beginning of the year, Tom's Tubes had a capital stock of 5 tube inflating machines. During the year, Tom scrapped 2 old machines and purchased 3 new machines. Tom's capital stock at the end of year equals
- 1 machine.
 - 2 machines.
 - 3 machines.
 - 6 machines.
- 52) Depreciation is subtracted from gross domestic product to determine directly
- consumption expenditures plus investment expenditures plus government purchases plus net exports.
 - disposable income.
 - net domestic product.
 - national income.
- 53) GDP equals net domestic product plus
- transfer payments and business transfers.
 - depreciation.
 - indirect business taxes and personal taxes.
 - retained earnings.
- 54) In the nation of Nirvana, depreciation is \$22 billion, GDP is \$260.4 billion, and national income is \$215.2 billion. Net domestic product is
- smaller than national income.
 - \$215.2 billion.
 - \$238.4 billion.
 - \$445.2 billion.
- 55) Which of the following correctly describes GDP?
- GDP is a flow variable.
 - GDP is the value of the production of an individual firm's goods and services.
 - GDP can be calculated using the expenditure approach or the income approach.
- I only.
 - III only.
 - I and III.
 - II and III.
- 56) GDP can be computed as the sum of
- all sales that have taken place in an economy over a period of time.
 - the total expenditures of consumers and business over a period of time.
 - the total expenditures of consumption, investment, and government purchases of goods and services over a period of time.
 - the total expenditures of consumption, investment, government purchases of goods and services, and net exports over a period of time.

- 57) GDP using the expenditure approach equals the sum of personal consumption expenditures plus
- gross private investment.
 - gross private investment plus government purchases of goods and services.
 - gross private investment plus government purchases of goods and services minus imports of goods and services.
 - gross private investment plus government purchases of goods and services plus net exports of goods and services.
- 58) The expenditure approach measures GDP by adding
- compensation of employees, rental income, corporate profits, net interest, and proprietors' income.
 - compensation of employees, rental income, corporate profits, net interest, proprietors' income, subsidies paid by the government, indirect taxes paid, and depreciation.
 - compensation of employees, rental income, corporate profits, net interest, proprietors' income, indirect taxes paid, and depreciation and subtracting subsidies paid by the government.
 - consumption expenditure, gross private domestic investment, net exports of goods and services, and government purchases of goods and services.
- 59) Which of the following is NOT part of the expenditure approach to measuring GDP?
- Gross private domestic investment
 - Net exports of goods and services
 - Net interest
 - Personal consumption expenditures
- 60) To measure GDP using the expenditure approach you must collect data on
- inflation.
 - exports.
 - wages.
 - saving.
- 61) Aggregate expenditures include all of the following EXCEPT
- consumption of food.
 - purchases of intermediate goods.
 - purchases of a piece of capital equipment.
 - purchases of guns by the government.
- 62) In the expenditure approach to GDP, the largest component is
- government purchases.
 - personal consumption expenditures.
 - gross private domestic investment.
 - net exports.
- 63) Let C represent consumption expenditure, S saving, I gross private domestic investment, G government purchases of goods and services, and NX net exports of goods and services. Then GDP equals
- $C + S + G + NX$.
 - $C + S + G - NX$.
 - $C + I + G + NX$.
 - $C + I + G - NX$.

- 64) Consumption expenditure is the payment by households for consumption of
- goods but not services.
 - services but not goods.
 - goods and services.
 - services and for saving.
- 65) The largest component of GDP is
- gross private domestic investment.
 - personal consumption expenditures.
 - net exports of goods and services.
 - government purchases of goods and services.
- 66) Personal consumption expenditures include
- expenditures by households on goods and services produced only in the United States.
 - expenditures by households on goods and services produced in the United States and the rest of the world.
 - the purchase of new homes.
 - the purchase of used goods and new goods.
- 67) All of the following household expenditures are included in consumption expenditure EXCEPT
- payment to a dentist for filling a tooth.
 - purchase of corporate stock.
 - purchase of a new purse.
 - purchase of hair styling.
- 68) Gross private domestic investment is all purchases of newly produced business capital goods and buildings
- minus the change in business inventories.
 - plus the change in business inventories plus residential construction.
 - plus fixed investment minus inventory investment.
 - plus purchases of capital goods produced in previous years to replace any depreciated capital goods.
- 69) The difference between gross investment and net investment is
- inflation.
 - depreciation.
 - initial capital.
 - consumption.
- 70) Goods that are reproduced this year, stored in inventories, and then sold to consumers next year
- count in this year's GDP.
 - count in next year's GDP.
 - count in both this year's and next year's GDP.
 - are not counted as a part of GDP.
- 71) An example of "investment" in computing real GDP using the expenditure approach is the purchase of
- a new set of tools by an auto mechanic, for use in repairing cars.
 - 100 shares of IBM stock.
 - a 100-year-old house by a married couple.
 - computer chips by IBM to put in their personal computers.

- 72) An example of "investment" in the national income accounts is the purchase of
- A) a new van by a potter, who packs it with his wares and travels to art shows.
 - B) 100 shares of Canadian stock on the New York Stock Exchange.
 - C) a 100-year-old house that was just put on the protected historic sites list in the year in question.
 - D) a U.S. government bond.
- 73) In the national income accounts, the purchase of a new house counts as
- A) consumption expenditure.
 - B) investment.
 - C) a transfer.
 - D) an addition to inventory.
- 74) All of the following are included in gross private domestic investment expenditure EXCEPT a
- A) business' purchase of a fleet of cars.
 - B) household's purchase of a new house.
 - C) business' purchase of another company's stock.
 - D) a retail store's purchase of shoes to add to its inventory.
- 75) In the national income accounts, government purchases of goods and services refer to those purchases made by
- A) federal and state governments only.
 - B) the federal government only.
 - C) state and local governments only.
 - D) all levels of government.
- 76) In the national income accounts, government purchases of goods and services exclude
- A) transfer payments.
 - B) state and local government purchases.
 - C) local government purchases but include state government purchases.
 - D) spending on national defense.
- 77) Which of the following is included in the government purchases component of the expenditure approach to GDP?
- A) State government expenditure on local schools
 - B) Transfer payments
 - C) Changes in inventories
 - D) Taxes
- 78) Which one of the following transactions in a particular year is included in gross domestic product for that year?
- A) Social Security payments to retirees
 - B) The government pays a computer services company that assisted in the delivery of Social Security payments to retirees
 - C) A car is produced in the previous year and remains in inventory for the entire year under consideration
 - D) A stay-at-home parent performs housework that the family would otherwise have paid a maid \$20,000 a year to perform.

- 79) In the computation of GDP, social security payments count as
- A) transfer payments and are included in GDP.
 - B) transfer payments and are not included in GDP.
 - C) government purchases of goods and services and are included in GDP.
 - D) government purchases of goods and services and are not included in GDP.

- 80) Which of the following is NOT part of GDP?
- A) General Motors' purchases of new capital equipment
 - B) Expenditures by the federal government for national defense
 - C) Social security payments made to the elderly
 - D) The purchase of new homes by consumers

- 81) Transfer payments are not part of government purchases of goods and services because transfer payments
- A) are not predictable given the nature of their appropriation and allocation.
 - B) do not represent the purchase of a final good or service.
 - C) are not always spent on goods produced in the U.S.
 - D) The premise of the question is incorrect because transfer payments *are* part of government purchases of goods and services.

- 82) Net exports of goods and services equal the
- A) exports of goods and services divided by the imports of goods and services.
 - B) exports of goods and services plus the imports of goods and services.
 - C) exports of goods and services minus the imports of goods and services.
 - D) imports of goods and services minus the exports of goods and services.

- 83) In the calculation of GDP by the expenditure approach, exports from the United States must be
- A) subtracted because they are included in the consumption of a foreign country.
 - B) ignored because they are not bought by U.S. citizens.
 - C) subtracted if they are bought by foreign firms for investment purposes.
 - D) added.

Government purchases of goods and services	\$240
Depreciation	240
Gross private domestic investment	400
Personal income taxes	140
Net taxes	120
Net exports of goods and services	80
Personal consumption expenditures	640
Net interest	100

- 84) From the data in the above table, GDP equals
- A) \$1,120.
 - B) \$1,280.
 - C) \$1,290.
 - D) \$1,360.

- 85) Using the data in the above table, net domestic product equals
- \$1,120.
 - \$1,280.
 - \$1,290.
 - \$1,360.
- 86) The approach to GDP that sums compensation of employees, rental income, corporate profits, net interest, proprietors' income, depreciation, and indirect taxes and subtracts subsidies is the
- opportunity cost approach.
 - expenditure approach.
 - added cost approach.
 - income approach.
- 87) The income approach to measuring GDP sums together
- compensation of employees, rental income, corporate profits, net interest, proprietors' income, subsidies paid by the government, indirect taxes paid, and capital consumption expenditures.
 - compensation of employees, rental income, corporate profits, net interest, proprietors' income, indirect taxes paid, and capital consumption expenditures and subtracts subsidies paid by the government.
 - the sales of each firm in the economy.
 - the costs of each firm in the economy and then subtracts indirect business taxes and the capital consumption allowance.
- 88) Proprietors' income is a component of which approach to measuring GDP?
- Income approach.
 - Expenditure approach.
 - Cost approach.
 - Output approach.
- 89) Which of the following is a component of the incomes approach to GDP?
- Consumption expenditure.
 - Wages and salaries.
 - Investment.
 - Government purchases of goods and services.
- 90) The largest component of national income is
- compensation of employees.
 - rental income.
 - corporate profits.
 - proprietors' income.
- 91) Which of the following is included in "compensation of employees" part of the income approach to measuring GDP?
- Wages and salaries.
 - Pension fund contributions.
 - Social security contributions.
- I only.
 - I and II.
 - I and III.
 - I, II and III.
- 92) When calculating the compensation of employees part of GDP,
- social security contributions must be included.
 - fringe benefits are not included.
 - taxes withheld on earnings are not included.
 - the value of vacation time must be included.

- 93) In the national income accounts, net interest is the total interest payments received by households on loans made by them minus
- interest received from households' ownership of government bonds.
 - interest payments made by households on their own borrowing.
 - interest payments made by households to foreign lenders.
 - taxes paid by households on their interest income.
- 94) Rental income includes
- the payment for the use of land.
 - the payment for the use of all rented inputs.
 - no income from rental housing because most houses are occupied by their owners.
 - Both answers A and B are correct.
- 95) Which of the following are included in the category of corporate profits when measuring GDP?
- Profits paid as dividends.
 - Undistributed profits.
 - Income received by owners and operators of businesses.
- I only.
 - I and II.
 - I and III.
 - I, II and III.
- 96) An indirect tax is a tax paid by consumers
- to a state or local government.
 - when they purchase goods and services.
 - on unearned income (as opposed to wages and salaries).
 - that is a percentage of the value of their real property.
- 97) All of the following are indirect taxes EXCEPT
- cigarette sales taxes.
 - income taxes.
 - liquor excise taxes.
 - taxes on utility bills.
- 98) The sum of compensation to employees, rental income, corporate profits, net interest, and proprietors' income is
- gross domestic product.
 - gross domestic income.
 - net domestic income at factor cost.
 - net domestic product.
- 99) Reasons why valuing goods at their market prices is different than valuing them at their factor costs include
- depreciation and investment.
 - exports and imports.
 - personal taxes and corporate taxes.
 - indirect taxes and subsidies.
- 100) Gross domestic product minus net domestic product equals
- exports minus imports.
 - imports minus exports.
 - net taxes.
 - depreciation.

Corporate profits	\$200
Net interest	150
Indirect taxes less subsidies	230
Depreciation	250
Compensation of employees	1,350
Proprietor's income	150
Rental income	70
Personal consumption expenditures	1,400
Government purchases of goods and services	500
Net exports of goods and services	40

Component	Amount (billions of dollars)
Gross investment	1300
Personal consumption expenditure	1475
Depreciation	25
Government purchases	1315
U.S. imports	260
U.S. exports	249
Compensation of employees	65

Using the data in the table above, gross domestic product equals

- A) \$1,920.
- B) \$1,940.
- C) \$2,150.
- D) \$2,400.

101) Using the data in the above table, gross private domestic investment equals

- A) \$250.
- B) \$260.
- C) \$460.
- D) some amount that cannot be determined without more information.

102) Using the data in the above table, net private domestic investment equals

- A) \$210.
- B) \$260.
- C) \$510.
- D) some amount that cannot be determined without more information.

Measuring Employment and Unemployment:

1) business cycle is the

- A) pattern of short-run upward and downward movements in production and jobs.
- B) increase in consumer spending that accompanies an increase in disposable income.
- C) cyclical change in the nation's balance of trade.
- D) cyclical movement in the interest rates.

2) Which of the following are parts of the business cycle?

- A) Peak and potential GDP
- B) Real GDP and potential GDP
- C) Recession and expansion
- D) Inflation and Recession

3) A popular working definition of a recession is

- A) a period during which real GDP increases for at least two successive quarters.
- B) the low turning point of a business cycle.
- C) the up turning point of a business cycle.
- D) a period during which real GDP decreases for at least two successive quarters.

4) A popular working definition of a recession is a period with

- A) negative growth rate in real GDP that lasts at least one quarter.
- B) positive growth rate in real GDP that lasts at least one quarter.
- C) positive growth rate in real GDP that lasts at least two quarters.
- D) negative growth rate in real GDP that lasts at least two quarters.

5) By the popular working definition, a recession occurs when

- A) the international deficit worsens for at least two successive quarters.
- B) the government budget deficit exceeds the national debt.
- C) the inflation rate exceeds 3.5 percent.
- D) real GDP decreases for at least two successive quarters.

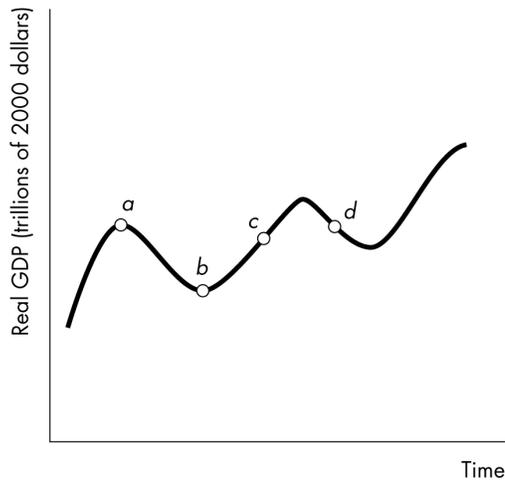
6) By the popular working definition, recessions occur

- A) whenever unemployment increases.
- B) when growth in real GDP decreases for two consecutive quarters.
- C) when growth in real GDP is negative for two consecutive quarters.
- D) when the unemployment rate exceeds 6 percent.

- 7) GDP declines during
- the movement from trough to peak.
 - the movement from below potential GDP back to potential GDP.
 - the movement from peak to trough.
 - a decrease in unemployment.
- 8) A trough is the
- low turning point of a business cycle when an expansion begins.
 - low turning point of a business cycle when a recession begins.
 - upper turning point of a business cycle when an expansion begins.
 - upper turning point of a business cycle when a recession begins.
- 9) What term is used to describe the lowest point of a business cycle?
- peak
 - trough
 - expansion
 - recession
- 10) The bottom or low point of a recession just before an expansion begins is called
- the trough.
 - the contraction.
 - the peak.
 - the pits.
- 11) An expansion occurs when production of goods and services is
- increasing.
 - decreasing.
 - at a cyclical peak.
 - at a cyclical trough.
- 12) Suppose the country of Dingo experienced an economic trough in January 2004. We can conclude that
- real GDP in Dingo was increasing in January 2004.
 - an expansion occurred after January 2004.
 - Dingo did not experience a recession in 2003.
 - Dingo's potential GDP fell in 2004.
- 13) An observer of the economy notices that over the last nine months the unemployment rate has increased from 5.6 percent to 8.7 percent. During the same time the rate of growth in real gross domestic product has become negative. From this information we might conclude that
- inflation is probably rampant in this economy.
 - a recession is occurring in this economy.
 - an expansionary phase of the business cycle is in process.
 - a peak in the business cycle will soon be reached.
- 14) A peak is the
- low turning point of a business cycle when an expansion ends.
 - low turning point of a business cycle when a recession ends.
 - upper turning point of a business cycle when an expansion ends.
 - upper turning point of a business cycle when a recession ends.
- 15) Between the trough and the peak of the business cycle the economy
- experiences rising unemployment.
 - is in an economic expansion.
 - experiences falling real GDP.
 - is in an economic recession.

- 16) Recessions
- A) begin at the trough of the business cycle.
 - B) are an economy-wide decrease in the level of economic activity.
 - C) end at the peak of the business cycle.
 - D) have not occurred in the United States after 1963.

- 17) Which of the following is a correct statement about business cycles?
- A) Expansions follow peaks.
 - B) Expansions tend to last longer than recessions.
 - C) The increase in real GDP from trough to peak is typically less than the decrease in real GDP from peak to trough.
 - D) To count as a period of recession, real GDP must decrease for at least 1 year.



- 19) In the above figure, a trough is at point _____ and a peak is at point _____.

- A) *a; b*
- B) *b; c*
- C) *b; a*
- D) *d; c*

- 20) The working-age population is defined as the number of

- A) people over the age of 16 who are not in jail, hospital, or other institution.
- B) people who have a job.
- C) people working full-time jobs who are over the age of 16.
- D) people looking for work.

- 21) The working-age population can be divided into two groups,

- A) people in the labor force and people looking for work.
- B) people in the labor force and people with a job.
- C) people looking for work and those in the armed forces.
- D) people in the labor force and people who are not in the labor force.

- 22) Suppose the working age population in Tiny Town is 100 people. If 25 of these people are NOT in the labor force, the _____ equals _____.

- A) unemployment rate; $25/100 \times 100$
- B) unemployment rate; $25/125 \times 100$
- C) labor force; 75
- D) labor force; $25/100 \times 100$

- 18) In the above figure, a recession begins at point _____ and an expansion begins at point _____.

- A) *a; b*
- B) *b; c*
- C) *b; a*
- D) *d; c*

- 23) The labor force is the sum of
- A) the working-age population and the number of unemployed people.
 - B) the number of employed people and the working-age population.
 - C) the number of employed people and the number of unemployed people.
 - D) the total population and the number of unemployed people.
- 24) The labor force is defined as the number of people who
- A) are employed plus the number of people who are unemployed.
 - B) are available and looking for work but are unable to find employment.
 - C) would like to have a job but have stopped seeking work.
 - D) would like to have a full-time job but are working part-time.
- 25) Unemployment as measured includes the total number of people who
- A) have jobs or are currently looking for jobs.
 - B) are available and looking for work but unable to find employment.
 - C) would like to have a job but have stopped seeking work.
 - D) would like to have a full-time job but are working part-time.
- 26) Which of the following people would be counted as ~~employed~~ unemployed in the Current Population Survey?
- A) Rich, who is working 20 hours a week but wants a full-time job.
 - B) Misty, who just quit her job to return full-time to school.
 - C) April, who just graduated from college and is looking for work.
 - D) Jason, who was laid off from work less than 6 months ago but who has stopped looking for work.
- 27) Which of the following is NOT considered to be in the labor force?
- A) A student who works part-time.
 - B) A person who is not working but who has tried to find a job in the past week.
 - C) A person who is waiting to start a new job in the next 30 days.
 - D) A person who is not working and who has not tried to find a job.
- 28) Which of the following people is NOT considered unemployed in the Current Population Survey?
- A) The person has just finished school and has entered the labor force to look for work.
 - B) The person has been laid off and is looking for a new job.
 - C) The person is looking for work after not doing so for a time.
 - D) The person is discouraged about finding a job and so does not search for work.

- 29) Which of the following people would NOT be counted as unemployed in the Current Population Survey?
- The person has no job and has made an effort to find work in the last four weeks.
 - The person is awaiting recall to a job after being laid off.
 - The person is without a job and is making no effort to find work.
 - The person is waiting to start a new job in thirty days.
- 30) The unemployment rate is calculated as 100 times
- $[(\text{labor force}) \div (\text{population})]$.
 - $[(\text{unemployment}) \div (\text{population})]$.
 - $[(\text{unemployment}) \div (\text{labor force})]$.
 - $[(\text{labor force}) \div (\text{unemployment})]$.
- 31) The unemployment rate equals
- $(\text{number of people employed} / \text{working age population}) \times 100$.
 - $(\text{number of people unemployed} / \text{labor force}) \times 100$.
 - $(\text{labor force} / \text{working age population}) \times 100$.
 - $(\text{number of people employed} / \text{number of people age 16 and over}) \times 100$.
- 32) The unemployment rate
- measures the percentage of people who want full-time jobs, but can't find them.
 - measures the percentage of the working-age population who can't find a job.
 - measures the percentage of people in the labor force who can't find a job.
 - measures the percentage of the working-age population that can't find a full-time job.
- 33) Suppose the population of Tiny Town is 100 people and the working-age population is 70. If 10 of these people are unemployed, the unemployment rate in Tiny Town is
- 10 percent.
 - $10/70 \times 100$.
 - $10/80 \times 100$.
 - There is not enough information provided to calculate the unemployment rate.
- 34) The population of Tiny Town is 100 people and the labor force is made up of 75 people. If 5 of these people are unemployed, the unemployment rate is
- $5/100 \times 100$.
 - $5/80 \times 100$.
 - $5/75 \times 100$.
 - There is not enough information provided to calculate the unemployment rate.
- 35) Based on the following data for the country of Tiny Town, the unemployment rate equals
- Population = 100
Labor force = 80
Number of employed persons = 70
Number of discouraged workers = 5
- $10/100 \times 100$.
 - $10/80 \times 100$.
 - $15/80 \times 100$.
 - $5/70 \times 100$.

- 36) Which of the following will decrease the unemployment rate?
- A) Discouraged workers leave the labor force.
 - B) More women enter the labor force and seek jobs.
 - C) Young people graduate from college and start to look for their first full-time job.
 - D) None of the above because they all increase or do not change the unemployment rate.

Person A	Now that the kids are in school for a full day, this person is looking for work and has interviewed for three jobs during the past two weeks.
Person B	This person has been laid off from a job but expects to be called back as soon as the economy improves.
Person C	This person has just graduated from college and will start a new job in three weeks. In the meantime, this person will tour the great American beaches.
Person D	This person was laid off last year when new equipment was installed at the plant, reducing the number of workers needed. Shortly after being laid off, this person looked for a new job, was unable to find one, and then stopped looking for work.

- 37) The above table shows answers given by people interviewed in a government survey of households. Which individuals are considered to be a part of the labor force?
- A) C and D.
 - B) B, C, and D.
 - C) A, C, and D.
 - D) A, B, and C.

- 38) The above table shows answers given by people interviewed in a government survey of households. Which individuals are considered unemployed?
- A) A, B, and C.
 - B) B, C, and D.
 - C) A, C, and D.
 - D) C and D.

- 39) The above table shows answers given by people interviewed in a government survey of households. Which person is a discouraged worker?
- A) A.
 - B) B.
 - C) C.
 - D) D.

Total population (millions)	Currently employed (millions)	Not working and looking for work (millions)	Want to work but no longer looking for work (millions)
80	40	2	4

- 40) In the table above, the size of the labor force is
- A) 80 million.
 - B) 46 million.
 - C) 42 million.
 - D) 40 million.
- 41) In the table above, the number of people officially unemployed is ____.
- A) 40 million.
 - B) 6 million.
 - C) 4 million.
 - D) 2 million.

- 42) In the table above, the unemployment rate is
- 50 percent.
 - 15 percent.
 - 10 percent.
 - 5 percent.
- 43) The labor force participation rate is the ratio of
- (the labor force divided by the working-age population) multiplied by 100.
 - (the number of unemployed divided by the working-age population) multiplied by 100.
 - (the labor force divided by the total population) multiplied by 100.
 - (the number of unemployed divided by the labor force) multiplied by 100.
- 44) The labor force participation rate is calculated as the
- labor force divided by the number of persons employed then multiplied by 100.
 - number of persons unemployed divided by the labor force then multiplied by 100.
 - labor force divided by the unemployment rate then multiplied by 100.
 - labor force divided by the working age population then multiplied by 100.
- 45) If the labor force participation rate is rising and the working-age population is not changing, then the
- size of the labor force is rising.
 - number of unemployed people is rising and the size of the labor force is falling.
 - size of the labor force is falling.
 - number of unemployed people is falling and the size of the labor force is rising.
- 46) Suppose the labor force in Tiny Town is 100 people. If the _____ in Tiny Town is 150 people, the labor force participation rate equals 100 times _____.
- working age population; $100/150$
 - working age population; $100/250$
 - number of employed persons; $100/250$
 - number of employed persons; $100/150$
- 47) Over the last 30 years, the labor force participation rates of men
- increased and the labor force participation rates of women decreased.
 - decreased and the labor force participation rates of women increased.
 - increased and the labor force participation rates of women increased.
 - decreased and the labor force participation rates of women decreased.
- 48) The employment-to-population ratio is the ratio of the number of
- unemployed people divided by the total population, then multiplied by 100.
 - employed people divided by the working-age population, then multiplied by 100.
 - employed people divided by the total population, then multiplied by 100.
 - unemployed people divided by the working age population, then multiplied by 100.
- 49) Which labor market statistic tends to rise during recessions and fall during expansions?
- The unemployment rate.
 - The labor-force participation rate.
 - The employment-to-population ratio.
 - Aggregate hours.

50) Suppose the number of people employed is 25 million and the number of people in the labor force is 75 million. What is the employment-to-population ratio?

- A) 33 percent.
- B) 25 percent.
- C) 75 percent.
- D) There is not enough information given to answer the question.

51) Based on the following data for the country of Tiny Town, the employment-to-population ratio equals 100 times

Population = 200

Working age population = 100

Labor Force = 90

Number of employed persons = 75

- A) 90/100.
- B) 75/200
- C) 90/200.
- D) 75/100.

52) Over the last thirty years, the labor force participation rate ____ and the employment-to-population ratio ____.

- A) increased; increased
- B) increased; decreased
- C) decreased; increased
- D) decreased; decreases

Category	Number (millions)
Discouraged workers	15
Unemployed workers	40
Employed workers	100
Population (16 years and over)	225

53) In the above table, the working age population is

- A) 225 million.
- B) 100 million.
- C) 140 million.
- D) 155 million.

54) In the above table, the size of the labor force is

- A) 210 million.
- B) 155 million.
- C) 140 million.
- D) 100 million.

55) In the above table, the unemployment rate is

- A) 6 percent.
- B) 24 percent.
- C) 18 percent.
- D) 29 percent.

56) In the above table, the labor force participation rate is

- A) 55 percent.
- B) 44 percent.
- C) 62 percent.
- D) 69 percent.

57) In the above table, the employment-to-population ratio is

- A) 51 percent.
- B) 42 percent.
- C) 62 percent.
- D) 44 percent.

Component	Number of people (millions)
Under 16	50
Working full-time	90
Working part-time	30
Retired	40
Unemployed	5

- 58) Using the data in the above table, the unemployment rate is
- A) 4.0 percent.
 - B) 4.16 percent.
 - C) 5.55 percent.
 - D) 28.0 percent.
- 59) Using the data in the above table, the labor force is _____ million.
- A) 215
 - B) 120
 - C) 125
 - D) 165
- 60) Using the data in the above table, the labor force participation rate is
- A) 66 percent.
 - B) 58.1 percent.
 - C) 75.7 percent.
 - D) 96.0 percent.

Component	Number of people
Total population	2600
Working-age population	2000
Not in labor force	500
Employed	1300

- 61) Using the information in the table above, calculate the number of people in the labor force.
- A) 2500.
 - B) 2100.
 - C) 1500.
 - D) 800.
- 62) Using the information in the table above, calculate the unemployment rate.
- A) 53.3 percent.
 - B) 30.8 percent.
 - C) 13.3 percent.
 - D) 7.7 percent.
- 63) Using the information in the table above, calculate the employment-to-population ratio.
- A) 75 percent.
 - B) 65 percent.
 - C) 50 percent.
 - D) 23.2 percent.

Component	Number of people (millions)
Total population	246
Working-age population	207
Labor force	139
Employed	133
Unemployed	6

- 64) Using the information in the above table, the unemployment rate is
- 4.5 percent.
 - 4.3 percent.
 - 2.8 percent.
 - 6.0 percent.
- 65) The labor force participation rate is
- 67.1 percent.
 - 64.0 percent.
 - 95.7 percent.
 - 56 percent.
- 66) The employment-to-population ratio is
- 67 percent.
 - 64 percent.
 - 50 percent.
 - 62 percent.
- 67) Over the last thirty years, average hours per worker decreased because the number of hours worked by full-time workers _____ and because the number of part-time jobs increased _____ than the number of full-time jobs.
- increased; faster
 - increased; slower
 - decreased; faster
 - decreased; slower
- 68) Aggregate hours
- are the total number of hours worked by people holding full-time jobs.
 - are the total number of hours worked by all people employed.
 - are the total number of hours worked by all people age 21 and over.
 - have decreased over the last thirty years.
- 69) Which of the following best measures the total amount of labor used to produce GDP?
- The total number of people employed.
 - The total number of people employed full-time.
 - The total hours worked by full-time employees.
 - The total hours worked by full and part-time employees.
- 70) Over the last 30 years, aggregate hours
- have increased at the same rate as the labor force participation rate.
 - have an upward trend.
 - have a downward trend.
 - have decreased because the average hours per worker has decreased.
- 71) Since 1963 in the United States, aggregate hours have _____ and average weekly hours per person has _____.
- increased over time; increased overtime
 - decreased overtime; varied over the business cycle
 - varied over the business cycle; increased over time
 - increased over time; decreased overtime

- 72) During the past 3 recessions in the United States, aggregate hours have and average hours per worker have.
- decreased; decreased
 - decreased; increased
 - increased; increased
 - increased; decreased
- 73) If aggregate hours worked grows more slowly than the number of people employed then
- people are working fewer hours on average.
 - people are working more hours on average.
 - there must be fewer part time workers.
 - None of the above are correct because aggregate hours cannot grow more slowly than the number of people employed.
- 74) The money wage rate is the same as
- the dollar wage in 1992 dollars.
 - the real wage rate.
 - the number of dollars per hour of work.
 - real disposable income.
- 75) The real wage rate is
- the money wage divided by the price level.
 - the money wage multiplied by the price level.
 - the money wage rate divided by the number of employed workers.
 - None of the above answers are correct.
- 76) The money wage rate equals \$10 per hour. If the price level rises and the money wage does not change,
- the real wage decreases.
 - the quantity of goods and services that an hour of work can buy decreases.
 - the real wage increases.
 - Both answers A and B are correct.
- 77) The real wage rate
- has increased substantially over the past 30 years regardless of which measure is used.
 - has decreased over the past 10 years regardless of which measure is used.
 - has increased or remained about constant over the last 30 years, depending on the measure used.
 - includes only the actual salary paid and not the fringe benefits.
- 78) Job losers are people who
- are laid off permanently or temporarily.
 - quit a job to look for something better.
 - enter the labor force for the first time.
 - reenter the labor force after many years.
- 79) Suppose Andy is laid off from the automobile plant because of slow automobile sales. Andy is looking for a new job. Andy is considered
- a discouraged worker.
 - a job loser.
 - a job leaver.
 - not in the labor force.

- 80) Job leavers are people who
- are laid off permanently or temporarily.
 - quit a job to look for something better.
 - enter the labor force for the first time.
 - reenter the labor force after many years.
- 81) Suppose Sophie quits her job at the Soda Shop to look for a better job. Sophie is considered
- a discouraged worker.
 - a job loser.
 - a job leaver.
 - not in the labor force.
- 82) Most unemployed people are unemployed because they are
- job leavers.
 - job losers.
 - reentrants into the labor force.
 - new entrants into the labor force.
- 83) The smallest and most stable source of unemployment is
- job leavers.
 - job losers.
 - reentrants into the labor force.
 - new entrants into the labor force.
- 84) The duration of unemployment is the length of time a person
- is employed while looking for work.
 - is unemployed while looking for work.
 - is unemployed even though that person is not looking for work.
 - spends working in a job.
- 85) The duration of unemployment is
- long when the unemployment rate is low.
 - short when the unemployment rate is high.
 - long when the unemployment rate is high.
 - longer during expansions than during recessions.
- 86) The duration of a spell of unemployment
- falls during a recession and rises during an expansion.
 - falls during both recessions and expansions.
 - rises during a recession and falls during an expansion.
 - rises during both recessions and expansions.
- 87) The duration of time spent by unemployed people looking for jobs
- rises during recessions and falls during expansions.
 - falls during recessions and rises during expansions.
 - falls during both recessions and expansions.
 - rises during both recessions and expansions.
- 88) Which of the following groups has the highest unemployment rate?
- White teenagers.
 - Black teenagers.
 - Blacks, 20 years of age or older.
 - Whites, 20 years of age or older.
- 89) Which of the following groups has the lowest unemployment rate?
- White teenagers.
 - Black teenagers.
 - Blacks, 20 years of age or older.
 - Whites, 20 years of age or older.

- 90) Frictional unemployment
- A) includes discouraged workers.
 - B) is voluntary part-time unemployment.
 - C) is unemployment associated with the changing of jobs in a changing economy.
 - D) is unemployment associated with declining industries.
- 91) Frictional unemployment is the result of
- A) technological change or foreign competition.
 - B) normal labor market turnover.
 - C) a slowdown in the rate of economic expansion.
 - D) irresponsible workers with poor work habits.
- 92) Suppose the country of Tiny Town experienced frictional unemployment. This frictional unemployment would
- A) definitely signal that the country is in a recession.
 - B) be considered a natural occurrence in a growing economy.
 - C) signal that there are more job leavers than job losers.
 - D) signal that the number of discouraged workers is growing.
- 93) When a worker quits a job to look for a better job,
- A) structural and cyclical unemployment increase.
 - B) structural unemployment decreases.
 - C) cyclical unemployment increases.
 - D) frictional unemployment increases.
- 94) When a woman reenters the labor force and looks for a job after spending time at home raising a child,
- A) cyclical unemployment increases.
 - B) structural unemployment decreases.
 - C) frictional and cyclical unemployment increase.
 - D) frictional unemployment increases.
- 95) When a student finishes college and begins looking for work,
- A) cyclical unemployment increases.
 - B) structural unemployment increases.
 - C) frictional unemployment increases.
 - D) frictional and cyclical unemployment increase.
- 96) Which of the following most likely would decrease frictional unemployment?
- A) An increase in the number of high school and college graduates.
 - B) Effective Internet-based employment services and job registries.
 - C) An expansion of unemployment compensation benefits.
 - D) All of the above would decrease frictional unemployment.
- 97) Structural unemployment is
- A) associated with the normal changing of jobs in a dynamic economy.
 - B) associated with the general downturns in the economy.
 - C) associated with the general decline of specific industries.
 - D) almost always short-term in nature.

- 98) Structural unemployment is the result of
- A) technological change or foreign competition.
 - B) normal labor market turnover.
 - C) a slowdown in the rate of economic expansion.
 - D) irresponsible workers with poor work habits.
- 99) Structural unemployment
- A) falls during the expansion phase of the business cycle.
 - B) falls as the pace of technological progress increases.
 - C) generally lasts longer than frictional unemployment.
 - D) falls when the government provides more generous unemployment compensation benefits.
- 100) When the automobile replaced horse-drawn carriages as the principal means of transportation, firms producing horse-drawn carriages went bankrupt and permanently laid off all their workers, thereby increasing
- A) frictional unemployment.
 - B) structural unemployment.
 - C) frictional and cyclical unemployment.
 - D) cyclical unemployment.
- 103) The above table gives data for a hypothetical nation. Gross domestic product is
- A) \$4,049 billion.
 - B) \$4,079 billion.
 - C) \$4,054 billion.
 - D) \$4,339 billion.
- 104) The above table gives data for a hypothetical nation. Net domestic product is
- A) \$4,039 billion.
 - B) \$4,044 billion.
 - C) \$4,054 billion.
 - D) \$4,314 billion.
- 105) Real GDP measures the
- A) total profit earned by all businesses valued using prices from a single year.
 - B) changes in the prices of output measured in dollars.
 - C) general upward drift in prices.
 - D) value of total production linked to prices of a single year.

