

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Although imperfect, which of the following is used as a measure of the standard of living? 1) _____
 - A) $\text{real GDP} \times \text{population}$
 - B) $\text{nominal GNP} \times \text{population}$
 - C) $\text{nominal GNP} \div \text{population}$
 - D) $\text{real GDP} \div \text{population}$
 - E) $\text{nominal GDP} \times \text{population}$
- 2) If nominal GDP increases this year, then real GDP 2) _____
 - A) could increase, decrease, or not change.
 - B) must decrease.
 - C) must increase.
 - D) must not change.
 - E) could either increase or not change but cannot decrease.
- 3) Gross Domestic Product is equal to the market value of all the final goods and services _____ in a given period of time. 3) _____
 - A) produced *and* consumed within a country
 - B) consumed within a country
 - C) produced within a country
 - D) consumed by the citizens of a country
 - E) produced by the citizens of a country
- 4) In one year, a firm increases its production by \$9 million and increases sales by \$8 million. All other things in the economy remaining the same, which of the following is true? 4) _____
 - A) GDP increases by \$8 million and inventory investment decreases by \$1 million.
 - B) Inventory investment decreases by \$1 million.
 - C) GDP increases by \$8 million and investment increases by \$1 million.
 - D) GDP increases by \$17 million.
 - E) GDP increases by \$9 million and inventory investment increases by \$1 million.
- 5) When calculating real GDP, the reference base year 5) _____
 - A) allows us to calculate the value of the goods and services in terms of prices of that base year.
 - B) allows us to account for changes in GNP compared to GDP.
 - C) usually increases the value of GNP compared to GDP.
 - D) always reduces the value of GDP compared to GNP.
 - E) allows us to increase the value of goods and services.
- 6) Babysitting services the oldest son provides his parents 6) _____
 - A) counts as nominal GDP but not real GDP.
 - B) does not count as real GDP nor nominal GDP.
 - C) counts as real GDP and nominal GDP.
 - D) counts as real GDP but not nominal GDP.
 - E) counts in both real and nominal GDP only if the son is not paid.

- 7) Consumption goods and services include _____ 7) _____
- A) washing machines and tickets to football games.
 - B) vacation time accumulated by workers.
 - C) new and used textbooks as long as they are sold via stores or online.
 - D) new homes and existing homes (as long as improvements have been made to the existing home).
 - E) tickets to concerts and medical care provided to veterans by the government.

- 8) If an entire industry relocates to a foreign country, the relocation leads to a higher rate of _____ 8) _____
- unemployment.
- A) structural
 - B) cyclical
 - C) frictional
 - D) structural and frictional
 - E) structural and cyclical

- 9) As the unemployment rate increases, _____ 9) _____
- A) *both* real GDP and potential GDP decrease.
 - B) real GDP decreases.
 - C) full employment GDP decreases.
 - D) potential GDP decreases.
 - E) potential GDP increases.

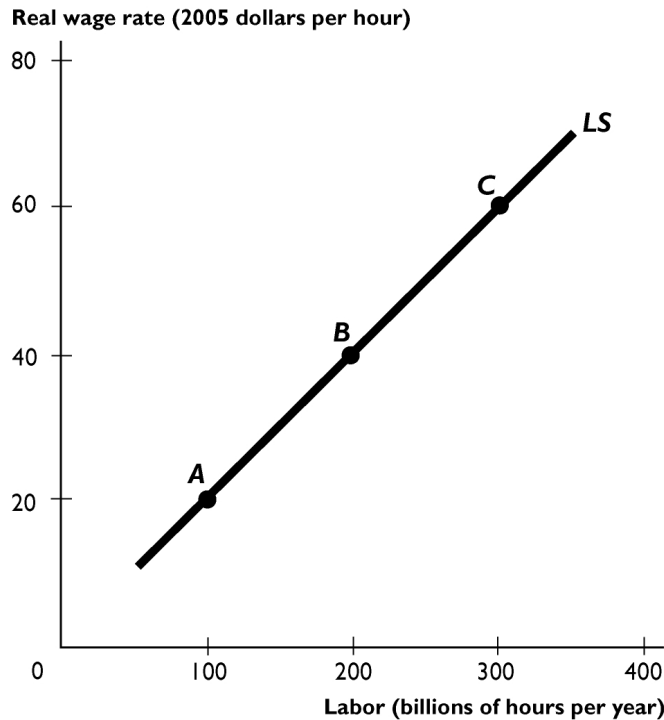
- 10) If the working age population _____ and the labor force does not change, the _____ . 10) _____
- A) increases; labor force participation rate will increase
 - B) decreases; labor force will increase
 - C) decreases; unemployment rate will increase
 - D) increases; labor force participation rate will decrease
 - E) increases; unemployment rate will increase

Category	Number of people (millions)
Discouraged workers	5
Unemployed workers	12
Employed workers	48
Working-age population	100

- 11) From the table above, which gives data about the U.S. labor market in 1933, the labor force is _____ 11) _____
- A) 12 million.
 - B) 60 million.
 - C) 65 million.
 - D) 100 million.
 - E) 48 million.

- 12) The unemployment rate is equal to _____ 12) _____
- A) $(\text{labor force} \div \text{population}) \times 100$.
 - B) $(\text{number of unemployed people} \div \text{working-age population}) \times 100$.
 - C) $(\text{number of unemployed people} \div \text{labor force}) \times 100$.
 - D) $(\text{number of unemployed people} \div \text{number of employed}) \times 100$.
 - E) $(\text{number of employed people} \div \text{labor force}) \times 100$.

- 13) If prices have increased since the base period, then 13) _____
A) real GDP is smaller than nominal GDP.
B) there is no way to adjust nominal GDP so that it equals real GDP.
C) real GDP is larger than nominal GDP.
D) real GDP is equal to nominal GDP.
E) real GDP can no longer be compared to nominal GDP.
- 14) The CPI overstates inflation because the average consumer buys 14) _____
A) more of those goods whose relative price has risen.
B) lower quality goods if they have a choice.
C) less of those goods whose relative price has risen.
D) a generally random assortment of goods and services each week because what is purchased depends on what the consumer needs.
E) the same basket of goods every week.
- 15) In order to determine if the quantity of goods and services that an hour's work can buy has increased or decreased between 2000 and 2012, one should compare the 15) _____
A) 2000 nominal wage with the 2012 real wage.
B) 2000 real wage with the 2012 real wage.
C) 2000 real wage with the 2012 nominal wage.
D) 2000 nominal wage with the 2012 nominal wage.
E) 2000 nominal wage with the 2012 nominal wage *and* the 2000 real wage with the 2012 real wage because both are important factors determining if workers can buy more or fewer goods with an hour's work.
- 16) In the United States for the last 40 years, the nominal interest rate 16) _____
A) and real interest rates both decreased in almost every year.
B) was constant in most years and the real interest rate fluctuated.
C) exceeded the real interest rate in about one half of the years and the real interest rate was greater than the nominal interest rate in the other half of the years.
D) and real interest rates were both constant in almost every year.
E) exceeded the real interest rate in virtually all the years.
- 17) Holding all other influences constant, the quantity of labor supplied in a given time period depends 17) _____
A) directly on the quantity of labor demanded.
B) directly on the real wage rate so that a higher real wage increases the quantity of labor supplied.
C) inversely on the quantity of labor demanded.
D) on the money wage rate not the real wage rate.
E) inversely on the real wage rate so that a higher real wage decreases the quantity of labor supplied.



- 18) The figure above shows the U.S. supply of labor curve. If there is a simultaneous increase in the nominal wage rate of 10 percent and a 10 percent increase in the price level, there will be a _____
- A) movement upward along the supply of labor curve from a point such as C to a point such as B.
 - B) rightward shift of the supply of labor curve.
 - C) movement downward along the supply of labor curve from a point such as A to a point such as B.
 - D) leftward shift of the supply of labor curve.
 - E) None of the above answers is correct because there is no change in the supply of labor curve.
- 19) In the United States since 1960, the average unemployment rate was highest during the decade of the _____
- A) 1990s.
 - B) 1980s.
 - C) 2000s.
 - D) 1970s.
 - E) 1960s.
- 20) A standard definition of recession is _____
- A) a decrease in GDP that lasts for at least 6 months.
 - B) an increase in GDP that lasts for at least 6 months.
 - C) an increase in unemployment from one month to the next.
 - D) a period of time when the unemployment rate exceeds 6.5 percent.
 - E) a period of expansion in many sectors of the economy.
- 21) The purchase of 500 shares of Honda stock by the California State Employees' Pension fund _____
- A) is counted as investment in the GDP accounts.
 - B) is not counted as part of GDP.
 - C) is counted as consumption expenditure.
 - D) is counted as part of export expenditure in the GDP accounts because Honda is a foreign firm.
 - E) is counted as part of import expenditure in the GDP accounts because Honda is a foreign firm.

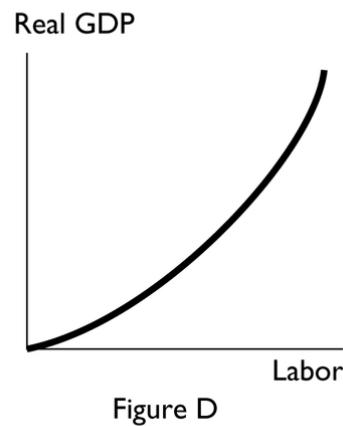
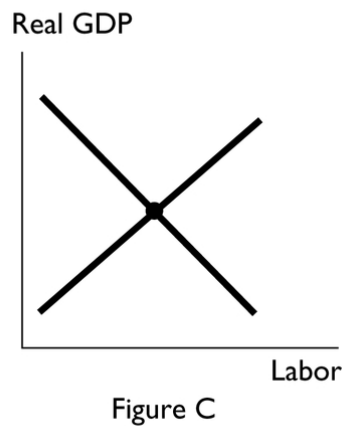
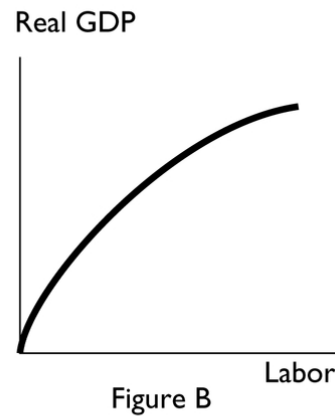
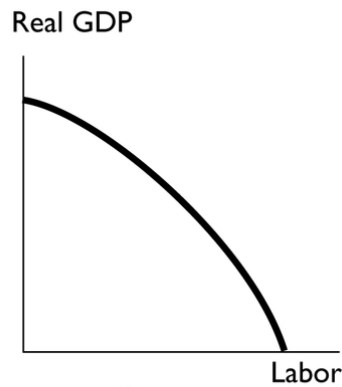
- 22) Over the last 50 years, the U.S. labor force participation rate of men has _____ by _____ the labor force participation of women has _____. As a result, the overall U.S. labor force participation has _____. 22) _____
- A) decreased; about the same rate as; increased; remained steady
 - B) increased; less than; decreased; decreased
 - C) increased; more than; decreased; increased
 - D) decreased; less than; increased; increased
 - E) decreased; more than; increased; decreased
- 23) Natural unemployment equals the sum of 23) _____
- A) cyclical and structural unemployment.
 - B) cyclical and frictional unemployment.
 - C) business and cyclical unemployment.
 - D) cyclical, business, and structural unemployment.
 - E) frictional and structural unemployment.
- 24) If real GDP is greater than nominal GDP then the GDP price index _____. 24) _____
- A) is equal to 100
 - B) is less than 100
 - C) either equal to or greater than 100
 - D) is greater than 100
 - E) None of the above answers is correct because we need to choose a new base year.
- 25) Potential GDP 25) _____
- A) is another name for real GDP.
 - B) can never be attained.
 - C) is another name for nominal GDP.
 - D) can never be exceeded.
 - E) is the quantity of GDP produced when the economy is at full employment of all resources.
- 26) Bobby was researching the economic growth of a country between 2006 and 2011. Using 2006 as the base year, he calculated a twelve percent increase for real GDP and a ten percent increase for nominal GDP. His results indicate that 26) _____
- A) the quantity of goods and services produced decreased over the period.
 - B) the quantity of goods and services produced increased and prices decreased over the period.
 - C) he made an error when calculating nominal GDP.
 - D) the quantity of goods and services produced and prices both decreased over the period.
 - E) the quantity of goods and services produced did not change and prices decreased over the period.
- 27) During a recession, cyclical unemployment _____ and real GDP _____. 27) _____
- A) increases; increases
 - B) decreases; increases
 - C) does not change; decreases
 - D) increases; decreases
 - E) decreases; decreases

Item	Quantity (2011)	Price (2011)	Price (2012)
Salt	2	\$1.00	\$2.00
Bread	20	\$2.50	\$3.00

28) The data in the table above shows the consumption by families in a small (poor) economy. The families consume only salt and bread. The reference base period is 2011. The inflation rate between 2011 and 2012 is

28) _____

- A) 23.1 percent.
- B) 118.8 percent.
- C) 18.8 percent.
- D) 123.1 percent.
- E) 52.5 percent.



29) The above figure that most accurately shows a production function is

29) _____

- A) Figure A.
- B) Figure B.
- C) Figure C.
- D) Figure D.
- E) Both Figure A and Figure B; Figure A for an economy with an excess of labor and Figure B for an economy with a shortage of labor.

30) The following are all *final* goods EXCEPT

30) _____

- A) flour used by the baker to make cupcakes.
- B) bread eaten by a family for lunch.
- C) a computer used by Intel to design new computer chips.
- D) Nike shoes used by a basketball player.
- E) pencils used by a 6th grader in class.