1. 

<table>
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<tr>
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<th>1999</th>
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<tr>
<td>Population</td>
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<td>110</td>
<td>125</td>
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<tr>
<td>Employed</td>
<td>65</td>
<td>70</td>
<td>80</td>
</tr>
<tr>
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<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Discouraged Workers</td>
<td>2</td>
<td>3</td>
<td>5</td>
</tr>
</tbody>
</table>

*All numbers are in millions

Table 6.4  
Population and Employment in Nationland

(Assume the figures above represent the working-age population).

If discouraged workers are included in the labor force, what was the unemployment rate for 2000?

- 18.6 percent.
- 3.8 percent.
- 4.3 percent.
- 15.7 percent.

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2. 

Nancy returns to school to study medicine. After graduating, she spends six months looking for a job. During this period, she is considered

- Cyclically unemployed.
- Structurally unemployed.
- Frictionally unemployed.
- Seasonally unemployed.

3. 

Someone 18 years old who is not employed and is not actively seeking work is considered

- Not in the labor force.
- In the labor force.
- Employed.
4. An unemployed worker who wants a job but has given up in the search for a new job is referred to as a/an
- Unemployed worker.
- Phantom unemployed worker.
- Discouraged worker.
- Underemployed worker.

5. If a nation experiences a year of unusually high immigration that increases the size of the labor force, we can conclude that the
- Nation will choose a different point on the production possibilities curve.
- Nation's production possibilities curve will shift outward.
- Nation's production possibilities curve will shift inward.
- Nation's capital per worker will rise.

6. Table 6.4

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*All numbers are in millions

(Assume the figures above represent the working-age population).

What was the labor force participation rate in Nationland in 2000?
- 67.0 percent.
- 65.0 percent.
- 72.0 percent.
- 72.7 percent.
7. Unemployment was fairly low during all of the following periods *except*
- World War II.
- The Korean War.
- The late 1990s.
- The Great Depression.

8. After Christmas, retail sales fall and many clerks are laid off until the following Christmas. This is an example of which of the following types of unemployment?
- Structural unemployment.
- Frictional unemployment.
- Cyclical unemployment.
- Seasonal unemployment.

9. If cyclical unemployment is zero, the economy is
- Outside the production possibilities curve.
- Inside the production possibilities curve.
- On the fixed production possibilities curve.
- On the production possibilities curve that shifts inward.

10. An underemployed worker who is looking for a full-time job is
- A discouraged worker.
- Phantom unemployed.
- Structurally unemployed.
- None of the choices are correct.

11. When the labor force participation rate is declining, the
- Unemployment rate is rising faster than the total population rate.
- Percentage of the working-age population that is outside the labor force is declining.
- Percentage of the working-age population that is willing and able to work is declining.
- Percentage of the total population that is employed is rising.
12. *Ceteris paribus*, if structural unemployment increases, the economy is

- Outside the production possibilities curve.
- Inside the production possibilities curve.
- On the fixed production possibilities curve.
- On the production possibilities curve that shifts inward.

13. (Assume the figures above represent the working-age population).

What is the unemployment rate in Year 5 in Table 6.3?

- 7.4 percent.
- 6.9 percent.
- 4.0 percent.
- 54.0 percent.

14. Why has structural unemployment in the United States increased over the last 20 years?

- Rapid technology changes have eliminated the needs for certain skill sets.
- Companies are increasingly outsourcing certain task to cheaper foreign markets.
- Increased trade with other countries has shut down U.S. factories competing with import industries.
- All of the choices are correct.

15. When migrant workers seek employment after the crops have been picked, the unemployment rate goes up. This situation is an example of
16. Based on Table 7.1, the real GDP for 2004 was
- $4,970.3 billion.
- $6,811.7 billion.
- $6,584.2 billion.
- $6,984.1 billion.

Table 7.1
GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal GDP (in billions of dollars)</th>
<th>GDP deflator</th>
<th>CPI</th>
</tr>
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<tr>
<td>2002</td>
<td>$ 6,992.4</td>
<td>106.2</td>
<td>151.6</td>
</tr>
<tr>
<td>2003</td>
<td>7,431.6</td>
<td>109.1</td>
<td>153.8</td>
</tr>
<tr>
<td>2004</td>
<td>7,843.2</td>
<td>112.3</td>
<td>157.8</td>
</tr>
</tbody>
</table>

17. If the CPI increases from 250 to 275 for one year, the rate of inflation for that year is
- 13 percent.
- 10 percent.
- 25 percent.
- 15 percent.

18. Which of the following is a likely macroeconomic consequence of inflation?
- Focus on long-term planning.
- Speculation.
- Antitrust issues.
- None of the other choices.
19. During the time period represented in Figure 7.3, the purchasing power of the average worker
- Increased because nominal wages increased.
- Decreased because real income decreased.
- Stay the same because COLAs probably kept purchasing power approximately constant.
- Decreased because nominal income decreased.

20. The redistributive mechanics of inflation include all of the following except
- Price effects.
- Income effects.
- Wealth effects.
- Output effects.

21. Speculation during periods of inflation can result in all of the following except
- People buying resources for resale later, rather than using the resources for current production.
- A movement inside the production possibilities curve.
- People buying gold, silver, jewelry, and the like instead of capital for production.
- More resources going into the production process.
22. The most visible consequence of inflation is
- A rise in employment.
- A rise in production.
- A rise in the price level.
- A change in government regulation.

23. A sudden increase in inflation, ceteris paribus,
- Raises the real income of lenders relative to borrowers.
- Raises the CPI and reduces real income.
- Reduces the nominal income of those who have constant real incomes.
- Makes everyone worse off.

24. A friend tells you that his income has risen every year by 5 percent. At the same time, prices, on average, have risen by 5 percent. Your friend claims he is better off. Your friend
- Is experiencing money illusion.
- Really is better off as he suggests.
- Has experienced an increase in nominal and real income.
- Has experienced an increase in real income only.

25. If the nominal interest rate is 6 percent and the anticipated rate of inflation is 6 percent, the real interest rate is
- 6 percent.
- 12 percent.
- 3 percent.
- 0 percent.

26. All of the following are detrimental macro consequences of inflation except
- Uncertainty.
- Speculation.
- Bracket creep.
27. Based on Table 7.1, the real GDP for 2003 was

- $4,832.0 billion.
- $6,811.7 billion.
- $6,584.2 billion.
- $6,984.1 billion.

Table 7.1
GDP

Based on Table 7.1, the real GDP for 2003 was

28. When production costs increase and producers raise output prices, the result is

- The price effect.
- Unemployment.
- Cost-push inflation.
- Demand-pull inflation.

29. Which of the following is not associated with the aggregate supply curve?

- Factors of production.
- The interest rate effect.
- The profit effect.
- The cost effect.

30. If aggregate demand decreases and aggregate supply decreases, the level of real output will

- Decrease, and the price level will definitely decrease.
31. Decrease, and the price level will definitely increase.
Either increase or decrease, but the price level will stay the same.
Decrease, but the price level is indeterminate.

32. In Figure 8.2, an improvement in technology is best represented as a movement from point
A to point B.
C to point A.
C to point B.
B to point A.

Two potential problems with macro equilibrium are
Undesirability and instability.
The profit effect and the real balance effect.
33. ° Ceteris paribus, the price level will decrease if the aggregate 
- Supply curve shifts to the left.
- Demand curve shifts to the left.
- Demand curve shifts to the right.
- Supply and demand curves both shift to the right.

34. 

![Graph showing shifts in AS and AD curves]

**Figure 8.2**

Using Figure 8.2, a decrease in real output resulting from the profit effect would be depicted as a movement from point 
- A to point C.
- B to point A.
B to point C.
C to point B.

35.
Which of the following is a potential problem at macro equilibrium?
- It is inconsistent with the macroeconomic goals.
- A surplus of goods exists.
- A shortage of goods exists.
- The economy is permanently stuck there.

36.
The laissez faire view of government involvement in the economy is most consistent with the
- Classical theory.
- Keynesian theory.
- Monetary theory.
- Supply-side theory.

37.
During the Great Depression, this group of economists assured everyone that the setbacks in production and employment were temporary and would soon vanish:
- Supply-side economists.
- Classical economists.
- Keynesian economists.
- Monetarist economists.

38.
Ceteris paribus, if average prices in the U.S. economy fall, then the
- Real balances effect will lead to a lower quantity of U.S. output demanded.
- Foreign trade effect will lead to a lower quantity of U.S. output demanded.
- Interest rate effect will lead to a higher quantity of U.S. output demanded.
- Cost effect will lead to a higher quantity of U.S. output demanded.
Using Figure 8.1, a decrease in the quantity of aggregate demand resulting from the interest rate effect would be depicted as a movement from point:

- B to point A.
- A to point C.
- B to point C.
- C to point A.
If the full-employment level of income in Figure 9.7 is $200 billion, there is

- A recessionary gap of $100 billion per year.
- A recessionary gap of $200 billion per year.
- An inflationary gap of $100 billion per year.
- Achievement of macro equilibrium.

41.
Using Figure 9.1, dissaving occurs at all income levels
- Above $2,000 billion.
- Above $3,000 billion.
- Below $2,000 billion.
- Below $3,000 billion.

Figure 9.1

All of the following will shift the investment curve except
- Innovation.
- Improvements in available technology.
- Changes to expectations.
- Changes to the interest rate.

42. Which of the following most likely occurs when an inflationary gap exists?
- A bidding war for available goods and services.
- More layoffs.
44. A sudden increase in confidence by the business community could best be represented by
- The consumption curve shifting downward.
- The AS curve shifting downward.
- An aggregate expenditure curve shifting upward.
- An aggregate expenditure curve shifting downward.

45. 

Figure 9.7
Full Employment and Equilibrium

Given the information in Figure 9.7, dissaving would occur at all income levels below
- $100 billion per year.
- $150 billion per year.
- $200 billion per year.
- $300 billion per year.
47. Which of the following is not a determinant of autonomous consumption?
   - Wealth.
   - Technology.
   - Tax policy.
   - Consumer confidence.

48. Which of the following is not a determinant of autonomous consumption?
   - The disposable income level.
   - Taxes.
   - The availability of credit.
   - The price level.

49. The four components of aggregate demand include all of the following except
   - Consumption.
   - Saving.
   - Investment.
   - Net exports.

50. If consumption and investment spending decline, then state and local government spending is likely to
   - Decline, leading to more economic instability.
   - Increase, leading to more economic instability.
   - Decline, leading to less economic instability.
   - Increase, leading to less economic instability.

50. Which of the following is not true about the marginal propensity to consume?
   - It is equal to the change in consumption divided by the change in disposable income.
   - It is equal to the slope of the consumption function.
   - It is equal to 1 - MPS.
   - It is always equal to or greater than 1.