

TEST I

Name: _____

R: _____

ID: _____

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

- 1) The _____ can change the quantity of money in the economy. 1) _____
 A) Treasury Department B) Office of the Comptroller of the Currency
 C) Congress D) Federal Reserve

Refer to the information provided in Table 6.1 below to answer the questions that follow.

	\$Billions
Durable goods	800
Nonresidential investment	400
Federal purchases of goods	300
Exports	400
State and local purchases of goods	200
Residential investment	50
Services	500
Imports	250
Change in business inventories	-25
Nondurable goods	700

- 2) Refer to Table 6.1. The value of gross domestic product in billions of dollars is 2) _____
 A) 3,000. B) 3,075. C) 3,125. D) 3,750.
- 3) Refer to Table 6.1. The value for net exports in billions of dollars is 3) _____
 A) 150. B) 250. C) 650. D) 800.
- 4) Refer to Table 6.1. The value of government spending in billions of dollars is 4) _____
 A) 100. B) 200. C) 300. D) 500.
- 5) Refer to Table 6.1. Personal consumption expenditures in billions of dollars are 5) _____
 A) 1,000. B) 1,300. C) 1,500. D) 2,000.

Refer to the information provided in Table 6.5 below to answer the questions that follow.

	Production			Prices		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Good X	60	80	100	\$1.00	\$1.00	\$1.40
Good Y	100	110	130	\$0.80	\$0.90	\$1.00

- 6) Refer to Table 6.5. Assume that this economy produces only two goods Good X and Good Y. The value for this economy's nominal GDP in year 1 is 6) _____
 A) \$140. B) \$160. C) \$180. D) \$200.

- 7) Refer to Table 6.5. Assume that this economy produces only two goods Good X and Good Y. If year 1 is the base year, the value for this economy's real GDP in year 2 is _____
 A) \$168. B) \$179. C) \$202. D) \$214.

Refer to the information provided in Table 7.1 below to answer the questions that follow.

Table 7.1

Employed	14,000 people
Unemployed	3,000 people
Not in the Labor Force	4,000 people

- 8) Refer to Table 7.1. The labor-force participation rate is _____
 A) 66.7%. B) 75.0%. C) 77.8%. D) 80.9%.
- 9) Refer to Table 7.1. The labor force equals _____
 A) 14,000 people. B) 17,000 people. C) 18,000 people. D) 21,000 people.
- 10) An example of a transfer payment is _____
 A) a Social Security retirement benefit.
 B) an interest payment on a General Motors' bond.
 C) the salary paid to a member of the armed forces.
 D) the added value of stock from the time it was bought to the time it was sold.
- 11) The term *business cycle* refers to the _____
 A) long-term trends in the price level.
 B) long-term trends in the level of economic activity.
 C) short-term ups and downs in the level of economic activity.
 D) short-term ups and downs in the price level.
- 12) Net investment is _____
 A) depreciation minus gross investment. B) GNP minus final sales.
 C) gross investment plus depreciation. D) gross investment minus depreciation.
- 13) Dividends are _____
 A) government profits distributed among bondholders.
 B) promissory notes issued by corporations.
 C) corporate profits distributed among shareholders.
 D) capital gains realized by stockholders.

Refer to the information provided in Table 7.2 below to answer the questions that follow.

Table 7.2

Labor force participation rate	75%
Total population 16 years of age and older	200 million
Unemployment rate	10%

- 14) Refer to Table 7.2. The total number of people employed is _____
 A) 180 million. B) 153 million. C) 135 million. D) 117 million.

- 15) Refer to Table 7.2. The total number of people unemployed is _____
 A) 13 million. B) 15 million. C) 17 million. D) 20 million.
- 16) If personal income is \$925 billion and personal income taxes are \$70 billion, the value of disposable personal income is _____
 A) \$835 billion. B) \$855 billion. C) \$890 billion. D) \$995 billion.
- 17) Government policies regarding taxes and expenditures are called _____
 A) income policies. B) fiscal policy.
 C) monetary policy. D) supply-side policy.
- 18) Which of the following is NOT a topic studied in Macroeconomics? _____
 A) the price of Dell computers B) the unemployment rate
 C) the inflation rate D) gross domestic product
- 19) In the circular flow diagram, the different payments made by firms to households include _____
 A) wages and profits. B) transfer payments and dividends.
 C) taxes and transfer payments. D) interest and taxes.
- 20) If the labor force is 500 and employment is 450, then the unemployment rate is _____
 A) 100%. B) 90%. C) 10%. D) 0%.
- 21) Gross domestic product measured in terms of the prices of a fixed, or base, year is _____
 A) current GDP. B) real GDP. C) nominal GDP. D) base GDP.
- 22) During recessions, the number of discouraged workers _____ and this _____ the unemployment rate. _____
 A) decreases; increases B) increases; increases
 C) increases; reduces D) falls; reduces
- 23) The total market value of all final goods and services produced within a given period by factors of production located within a country is _____
 A) net national income. B) net national product.
 C) gross national product. D) gross domestic product.
- 24) The equation for GDP using the expenditure approach is _____
 A) $GDP = C + I + G - EX - IM$. B) $GDP = C + I + G + (IM - EX)$.
 C) $GDP = C + I + G + EX - IM$. D) $GDP = C + I + G + EX + IM$.
- 25) The value of what KFC produces in Japan is included in the U.S. _____ and in the Japanese _____.
 A) GNP; GDP B) GDP; GNP C) GDP; GDP D) GNP; GNP
- 26) Income Mexican citizens earn in the U.S. counts in _____
 A) U.S. GNP. B) Mexican GDP.
 C) Mexican GNP. D) both U.S. and Mexican GDP.
- 27) Between a peak and a trough, the economy goes through a(n) _____
 A) inflation. B) boom. C) expansion. D) recession.

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

28) Since 1970, the U.S. economy has experienced 2 recessions. 28) _____

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

29) Deflation occurs when 29) _____

- A) the average price level declines.
- B) economic activity declines.
- C) the unemployment rate declines.
- D) the economic growth rate declines.

30) Inflation is a(n) 30) _____

- A) increase in the overall price level.
- B) decrease in the overall price level.
- C) decrease in the overall level of economic activity.
- D) increase in the overall level of economic activity.

Bonus Question (10 Points):

Describe who gets hurt in a recession, and how? (With three sentences)

Answer Key

Testname: TEST 1.TST(VERSION 1)

- 1) D
- 2) B
- 3) A
- 4) D
- 5) D
- 6) A
- 7) A
- 8) D
- 9) B
- 10) A
- 11) C
- 12) D
- 13) C
- 14) C
- 15) B
- 16) B
- 17) B
- 18) A
- 19) A
- 20) C
- 21) B
- 22) C
- 23) D
- 24) C
- 25) A
- 26) C
- 27) D
- 28) FALSE
- 29) A
- 30) A