Weekly Quiz 1 (January 16, 2002)

1. What was the unemployment rate in December 2001?

2. When the Fed meets later this month and decides whether to lower interest rates, it is conducting:
   A. Fiscal Policy
   B. Monetary Policy
   C. Incomes Policies
   D. Supply Side Policies

3. A man who quits his job to look for one that takes full advantage of his education is an example of:
   A. Frictional Unemployment
   B. Structural Unemployment
   C. Cyclical Unemployment
   D. He is not unemployed because he quit his job.

Weekly Quiz 2 (January 23, 2002)

4. Which group of people listed below had the highest unemployment rate in Dec. 2001?
   A. White (all ages)
   B. Black (all ages)
   C. Hispanic (all ages)
   D. Teenagers (all races)

5. Our unemployment rates are misleading because we only count those who are receiving unemployment insurance. Therefore it does not count those who are unemployed but do not receive unemployment insurance benefits.
   A. True
   B. False

6. Suppose you have selected a bundle of goods and services to track over time. The base year is 1995, and the cost of the bundle is $400 in 1995, and $412 in 1996. The price indices in 1995 and 1996, respectively, are:
   A. 400, 412
   B. 412, 400
   C. 100, 103
   D. 103, 100
Weekly Quiz 3 (January 30, 2002)

7. The latest data from the Index of Leading Indicators was released last week. According to it, in what direction is the economy heading?
   A. The economic recession will get worse.
   B. Current economic conditions will remain unchanged.
   C. The economy will begin to improve.
   D. There's no way to predict until we see the data from January.

8. If you are looking for an early indication of future consumer price inflation, you would want to look at the:
   A. Price level.
   B. CPI.
   C. GDP deflator.
   D. PPI.

9. Suppose a bank expects inflation to be 2 percent and charges borrowers a (nominal) interest rate of 4 percent. Now suppose that inflation is actually 5 percent. In this case:
   A. The real interest rate is higher than expected, banks are better off, and borrowers are worse off than expected.
   B. The real interest rate is higher than expected, banks are worse off, and borrowers are better off than expected.
   C. The real interest rate is lower than expected, banks are better off, and borrowers are worse off than expected.
   D. The real interest rate is lower than expected, banks are worse off, and borrowers are better off than expected.

Weekly Quiz 4 (February 13, 2002)

10. The January unemployment rate was released last week. Some economists said that the report contained bad news. What reason did they give for this?
    A. The unemployment rate was higher in January than December.
    B. The number of people employed and unemployed decreased because some people left the labor force.
    C. The number of people employed increased, but the number of people unemployed increased by more.
    D. No reason was given.

11. The largest component of GDP is:
    A. Consumption (C).
    B. Investment (I).
    C. Government Spending (G).
    D. Net Exports (X – M).

12. Real GDP can NOT be used to measure:
    A. Economic welfare over time.
    B. The size of the market economy.
    C. The change in market output over time.
    D. The change in real output over time.
13. If Congress decreases taxes on business and industry, this is an example of:
   A. Fiscal policy.
   B. Monetary policy.
   C. Supply side policies.
   D. Incomes policies.

14. Keynesian economists believe:
   A. Government policies do not affect economic activity.
   B. Government can implement policy proposals that can positively impact the economy.
   C. Most government policies would probably make things worse.
   D. The economy ought to be left to market forces.

15. The paradox of thrift occurs when:
   A. An increase in saving raises output.
   B. An increase in saving reduces output.
   C. A decrease in saving raises output.
   D. A decrease in saving reduces output.

16. The Index of Leading Indicators was released last week. According to it:
   A. The index decreased in December and January, so we may not be out of the recession.
   B. The index increased in December and decreased in January, so we’re not sure what to conclude.
   C. The index increased in December and January, but we have to wait until the February index is released to know where the economy is heading.
   D. The economy has increased for more than 3 consecutive months, so the economy is heading out of the recession.

17. An increase in foreign income will most likely cause:
   A. A decrease in US exports (X), so the US Aggregate Demand curve shifts left.
   B. A decrease in US exports (X), so the US Aggregate Demand curve shifts right.
   C. An increase in US exports (X), so the US Aggregate Demand curve shifts left.
   D. An increase in US exports (X), so the US Aggregate Demand curve shifts right.

18. Prices are inflexible because of all of the following except:
   A. Implicit contracts.
   B. Perfect competition.
   C. Menu costs.
   D. Cost based pricing rules.
19. The economy is in a long-run equilibrium:
   A. At the intersection of the aggregate supply and aggregate demand curves.
   B. At the intersection of the aggregate supply and potential output curves.
   C. At the intersection of the potential output and aggregate demand curves.
   D. At any point on the aggregate supply curve.

20. A(n) __________ exists when aggregate demand exceeds potential output.
    a. Recessionary gap
    b. Inflationary gap
    c. Short-run equilibrium
    d. Long-run equilibrium

21. If __________ exceeds __________, eventually input prices will fall and output will rise.
    A. Potential output; aggregate demand
    B. Aggregate demand; potential output
    C. Aggregate supply; aggregate demand
    D. Aggregate demand, aggregate supply

Weekly Quiz 8 (March 27, 2002)

22. Increases in aggregate demand are most likely to produce higher output in the:
    A. Keynesian range.
    B. Intermediate range.
    C. Classical range.
    D. Long run.

23. The multiplier model assumes:
    e. The price level is constant.
    f. The price level is not constant.
    g. Output is constant.
    h. Input prices are not constant.

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<td>2100</td>
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<tr>
<td>5000</td>
<td>2500</td>
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24. Using the table above, what is the level of autonomous expenditures?
    A. $400.
    B. $500.
    C. $2500
    D. There is not enough information given to answer this question.
Weekly Quiz 9 (April 3, 2002)

25. For levels of income to the right of where the expenditures function intersects the 45-degree line:
   A. Planned expenditures exceed production.
   B. Production exceeds planned expenditures.
   C. There is a shortage of goods (some people have cannot purchase them).
   D. Planned expenditures equal income.

26. Graphically, the equilibrium level of real income occurs where the expenditure function intersects the:
   i. Horizontal axis.
   j. Vertical axis.
   k. Aggregate supply curve.
   l. 45-degree line going through the origin.

27. The multiplier equals:
   A. The \( mpc \).
   B. \( 1 / mpc \).
   C. \( 1 / (1 – mpc) \).
   D. \( 1 / (mpc – 1) \).

Weekly Quiz 10 (April 17, 2002)

2. If a family’s expenditures from increase $26,000 to $30,000 per year when its income increases from $32,000 to $37,500, its induced expenditures:
   a. Do not change.
   b. Equal $4,000.
   c. Increase by $4,000.
   d. Change by an amount that cannot be determined without more information.

3. If an increase in autonomous expenditure of $300 results in an increase in equilibrium income of $750, the multiplier is:
   a. 0.4.
   b. 1.5.
   c. 2.5.
   d. 5.0.

4. Crowding out occurs when:
   a. Financing a budget deficit is no longer possible.
   b. Financing a budget deficit causes interest rates to rise.
   c. Financing a budget deficit causes interest rates to fall.
   d. Tax receipts rise more slowly than anticipated, resulting in the need to cut government spending.
5. Which of the following *best* measures the impact of changes in prices on households?
   a. The price level.
   b. CPI.
   c. GDP Deflator.
   d. PPI.

6. For purposes of calculating GDP, Investment includes:
   a. The value of new residential construction.
   b. Purchases of stock.
   c. Purchases of new automobiles.
   d. Purchases of government bonds.

7. M1 includes which of the following?
   a. Time deposits.
   b. Checking account deposits.
   c. Gold certificates.
   d. Money market mutual funds.