

Instructions:

40 multiple-choice questions, each with 4 responses

Students need to bring: (1) Sanddollar ID card; (2) scantron Form 882-E; (3) pencil; (4) calculator (optional)

Chapter 23

- ✓ Circular flow diagram
- ✓ National income accounting identity
- ✓ GDP and its definition
- ✓ Expenditure vs income approach
- ✓ Components of GDP using expenditure approach
- ✓ Nominal vs real GDP
- ✓ Business cycles
- ✓ GDP as a measure of well-being
- ✓ GDP as a measure of economic growth

Chapter 25

- ✓ Productivity
- ✓ Diminishing returns
- ✓ Production functions and the catch up effect/convergence hypothesis
- ✓ FDI
- ✓ Human Capital vs Physical Capital
- ✓ Savings and Investment and how this is related to growth
- ✓ Property rights
- ✓ The positive effects of economic growth
- ✓ Education, technology, political stability, openness to trade and economic growth
- ✓ Factors affecting growth in developing countries

Chapter 24

- ✓ CPI and how it is constructed
- ✓ Problems with CPI as an inflation measure
- ✓ Nominal vs real interest rate
- ✓ CPI vs GDP deflator
- ✓ Adjusting prices through time

Chapter 28

- ✓ Unemployment rate
- ✓ Labor force participation rate
- ✓ Stock vs flow variables
- ✓ Types of unemployment
- ✓ Natural rate of unemployment
- ✓ Trade Unions
- ✓ Minimum wage
- ✓ Efficiency wages

Test 2 Examples

Multiple Choice

Identify the choice that best completes the statement or answers the question.

1. If real GDP doubles and the GDP deflator doubles, then nominal GDP
 - a. remains constant.
 - b. doubles.
 - c. triples.
 - d. quadruples.

2. In one day Portal Computer Company made 400 laptops with 1200 hours of labor. What was its productivity?
 - a. 1/3 laptop per hour
 - b. 3 hours per laptop
 - c. 1200 laptops
 - d. 400 laptops

3. Which of the following would be considered physical capital?
 - a. the available knowledge on how to make semiconductors
 - b. a taxi-cab driver's knowledge of the fastest routes to take
 - c. bulldozers, backhoes and other construction equipment
 - d. All of the above are correct.

4. Country A and country B both increase their capital stock by one unit. Output in country A increases by 15 while output in country B increases by 12. Other things the same, diminishing returns implies that country A is
 - a. richer than Country B. If Country A adds another unit of capital, output will increase by more than 15 units.
 - b. richer than Country B. If Country A adds another unit of capital, output will increase by less than 15 units.
 - c. poorer than Country B. If Country A adds another unit of capital, output will increase by more than 15 units.
 - d. poorer than Country B. If Country A adds another unit of capital, output will increase by less than 15 units.

5. The consumer price index is used to
 - a. monitor changes in the level of wholesale prices in the economy.
 - b. monitor changes in the cost of living over time.
 - c. monitor changes in the level of real GDP over time.
 - d. monitor changes in the stock market.

6. During a certain year, the nominal interest rate was 7 percent, the real interest rate was 4 percent, and the CPI was 198.3 at the end of the year. The CPI at the beginning of the year was
 - a. 204.2
 - b. 192.5
 - c. 178.6
 - d. 220.1

Table 24-2

The table below pertains to Pieway, an economy in which the typical consumer's basket consists of 15 bushels of peaches and 10 bushels of pecans.

Year	Price of Peaches	Price of Pecans
2012	\$11 per bushel	\$6 per bushel
2013	\$9 per bushel	\$10 per bushel

7. Refer to Table 24-2. If 2013 is the base year, then the CPI for 2012 was
- a. 95.7.
 - b. 100.0.
 - c. 90.0.
 - d. 213.6.
8. If the CPI was 95 in 1955 and is 475 today, then \$100 today purchases the same amount of goods and services as
- a. \$4.75 purchased in 1955.
 - b. \$20.00 purchased in 1955.
 - c. \$95.00 purchased in 1955.
 - d. \$500 purchased in 1955.
9. The Bureau of Labor Statistics places people in the "employed" category if they
- a. are without a job, but are available for work and have tried to find a job during the previous 4 weeks.
 - b. work without pay in a family member's business.
 - c. are waiting to be recalled to a job from which they had been laid off.
 - d. All of the above are correct.

Table 28-1
Sample Population

Person	Status
Allen	Unpaid stay at home dad. Has not looked for a job in several years.
Ben	College president.
Allison	Part-time welder. Actively looking for full time work.
Brittany	Self-employed full-time wedding singer.
Cathy	Full-time physician's assistant.
Calvin	Retired finance professor. Last applied for work 10 weeks ago.
Diane	Laid-off fork-lift operator expecting to be recalled.
David	Works for a bicycle store. Age 70.
Evelyn	Manager of health food store.
Eli	Museum guard. Was not at work last week due to illness.
Flora	Has never been employed. Looked for a job last week.
Frank	Fired from job as an investment banker. Last looked for work three weeks ago.

10. Refer to Table 28-1. How many in the sample are in the labor force?
- a. 11
 - b. 10
 - c. 9
 - d. 8

**Test 2 Examples
Answer Section**

MULTIPLE CHOICE

1. D
2. A
3. C
4. D
5. B
6. B
7. A
8. B
9. B
10. B