

1. In a given country, real GDP per worker is \$80, and 60% of the population is employed. Therefore, GDP per capita is
  - a. \$80
  - b. \$40
  - c. \$48
  - d. \$2
  - e. \$8
2. Which of the following statements BEST explains the substitution bias?
  - a. CPI overstates the true rate of inflation because as technology improves, goods and services become higher-quality, and an increase in price level is therefore only natural.
  - b. CPI overstates the true rate of inflation because as particular goods become more expensive, households can modify their consumption toward less expensive goods while maintaining the same well-being.
  - c. CPI overstates the true rate of inflation because as time goes on, innovative new goods and services are substituted into the consumption bundle, thereby raising the overall price level in an economy.
  - d. CPI understates the true rate of inflation because the goods and services that make up a consumption bundle usually do not include technological devices, which are more expensive and thus raise overall price level.
  - e. CPI understates the true rate of inflation because as time goes on, more expensive new goods and services enter the economy but aren't included in the consumption bundle for several years.
3. When calculating GDP using expenditures, firms' spending on final goods and services is considered
  - a. capital stock purchasing
  - b. consumption
  - c. portfolio diversification
  - d. inventory spending
  - e. investment
4. Between the years 1900 and 2008, real GDP per capita in the United States grew by a factor of almost
  - a. 6
  - b. 4
  - c. 36
  - d. 8
  - e. 32
5. To calculate inflation, CPI uses
  - a. real and nominal GDP data
  - b. data from Fortune 500 companies
  - c. labor force productivity rates
  - d. household consumption spending figures
  - e. a market basket of goods and services
6. Todd buys \$10 of pepperoni and \$15 of cheese to make pizza. If he sells 10 pizzas for \$10 each, Todd's total contribution to GDP is
  - a. \$115
  - b. \$110
  - c. \$125
  - d. \$100
  - e. \$25
7. Tara spent most of her early career learning to repair record players. Though she is an expert at fixing record players, she is unable to find work, as there is not much demand in the current economy for her skillset. Tara's case is an example of
  - a. frictional unemployment
  - b. cyclical unemployment
  - c. obsolete unemployment
  - d. structural unemployment
  - e. seasonal unemployment
8. Overall prices in Country A's economy increased by 10%. What happened?
  - a. inflation
  - b. stagflation
  - c. a GDP increase
  - d. supply shock
  - e. demand shock
9. In the United States, the Bureau of Labor Statistics measures both
  - a. GDP and unemployment
  - b. government spending and inflation
  - c. labor force participation and investment
  - d. labor force participation and tax income
  - e. inflation and unemployment
10. Ji-woo decides to open a refrigerator factory in 2015. In order to do so, she buys \$500,000 worth of machinery in addition to the \$1 million factory. How do Ji-woo's purchase factor into GDP?
  - a. She contributes never contributes anything to GDP
  - b. She contributes \$1.5 million to GDP in 2015
  - c. She contributes \$500,000 to GDP in 2015
  - d. She contributes \$1.5 million in 2025
  - e. She contributes \$1 million to GDP every year her factory is open

11. Which of the following factors is MOST responsible for differences in countries' GDP per capita?
- the political and legal environment
  - human capital
  - average labor productivity
  - technological knowledge
  - labor force participation rates
12. Country C's nominal GDP was \$10 in 2010 and \$20 in 2015. In those 5 years, the price level in Country C tripled. Therefore, between the years 2010 and 2015,
- real GDP in Country C remained the same
  - real GDP in Country C decreased
  - total output in Country C increased
  - real GDP in Country C increased
  - CPI in Country C decreased
13. Economists usually calculate GDP either
- biennially or annually
  - quarterly or annually
  - annually or biannually
  - quarterly or semiannually
  - quarterly or biannually
14. Compared to France, Great Britain has a more educated population and therefore has a higher average labor productivity. This higher labor productivity is a result of Great Britain's greater
- social justice
  - technological knowledge
  - human capital
  - physical capital
  - natural resources
15. What did both Japan and Latin America experience in the nineteenth and twentieth centuries?
- sustained economic growth
  - consistent access to healthcare
  - a decreased level of well-being
  - relatively low inflation
  - double-digit unemployment rates
16. Which economist headed the group that determined that CPI overstated the real rate of inflation by 1.3% annually?
- Joseph Schumpeter
  - Sir William Petty
  - Michael Boskin
  - Milton Friedman
  - Simon Kuznets
17. Which of the following equalities is TRUE in an open economy?
- $Y - G = S + NX$
  - $Y = G + I + C$
  - $S = I + Y$
  - $S = I + NCO$
  - $NCO - S = G$
18. Since 1900, real output in the United States has risen by a factor of nearly
- 4
  - 32
  - 8
  - 36
  - 18
19. In 1960, Country Z's nominal GDP was \$500 billion, and its real GDP was \$50 billion. Therefore, its GDP deflator was
- 100
  - 1000
  - 10
  - 50
  - 500
20. Which of the following reasons BEST explains why the demand curve for savings slopes downward?
- The higher the interest rate, the less expensive it is to take a loan, and so businesses will want to pursue more investment projects.
  - The higher the interest rate, the less expensive it is to take a loan, and so businesses will want to pursue fewer investment projects.
  - The lower the interest rate, the less expensive it is to take a loan, and so businesses will want to pursue more investment projects.
  - The lower the interest rate, the less expensive it is to take a loan, and so businesses will want to pursue fewer investment projects.
  - The lower the interest rate, the more expensive it is to take a loan, and so businesses will want to pursue fewer investment projects.
21. Which of the following groups are MOST important to the circular flow model?
- households, firms, and the government
  - the government, households, and foreign markets
  - households, the financial sector, and the government
  - households, firms, and the financial sector
  - firms, foreign markets, and households

22. In a given country, there are 100 million people. 40 million are out of the labor force, and 45 million are employed. The unemployment rate is
- 15%
  - 45%
  - 25%
  - 50%
  - 60%
23. A country's GDP is equal to \$100. If it has \$40 in consumer spending, \$30 in investment spending, and \$50 in government spending, then it is running a
- trade deficit
  - balanced budget
  - trade surplus
  - budget surplus
  - budget deficit
24. France's real GDP is \$100, and there are 50 citizens in France, 20 of whom are employed workers. The average labor productivity in France is
- \$5
  - \$20
  - \$10
  - \$2
  - \$1
25. Vijay picks \$100 worth of apples from his apple farm. He sells \$50 worth of them to Frank, who then uses them to produce \$300 worth of apple pies. Vijay sells the other half at the local farmers market. Based on this activity, Vijay's and Frank's total contribution to GDP is
- \$400
  - \$300
  - \$350
  - \$500
  - \$200
26. In 2007, a consumption bundle costs \$40. In 2020, that consumption bundle costs \$50. Using 2007 as a base year, CPI in 2020 is
- 20
  - 200
  - 25
  - 120
  - 125
27. From 2013 to 2014, Jenny held bonds paying 25% interest. Given a CPI of 120 in 2013 and 150 in 2014, what is the real interest rate Jenny receives?
- 25%
  - 0%
  - 5%
  - 45%
  - 25%
28. Cam, who lives in the United States, purchased bonds from the Chinese government. This purchase is an example of
- capital asset exchange
  - foreign direct investment
  - foreign capital investment
  - portfolio investment
  - domestic financial trade
29. Which of the following actions would increase investment as calculated for GDP?
- A Wall Street trader trades \$500,000 worth of stock.
  - A household deposits a portion of their income into a checking account.
  - A bank engages in fractional reserve banking.
  - A bank lends an entrepreneur money to construct a new factory.
  - An entrepreneur sells 20% of her company in exchange for cash.
30. The working-age population of a given country is 100 million. 30 million are unemployed, and 50 million are employed. The labor force participation rate is
- 80%
  - 50%
  - 60%
  - 20%
  - 40%
31. In 2019, Country X exported \$50 billion worth of goods and services and imported \$100 billion worth. Thus, Country X is in a
- trade deficit
  - foreign investment
  - budget surplus
  - budget deficit
  - trade surplus
32. Country A had a real GDP of \$50 in 1950 and \$70 in 1955. What MOST likely happened between the years 1950 and 1955?
- The inflation rate remained the same.
  - The inflation rate decreased.
  - The unemployment rate increased.
  - The unemployment rate remained the same.
  - The unemployment rate decreased.

33. Which of the following statements about various economies around the world is TRUE?
- In Ghana, the average output per person is roughly \$458 per day.
  - In the United States in 2008, the average output per person was nearly \$60,000.
  - China's average output per person is about one fifth the size of the United States'.
  - Poor Japanese citizens have a better standard of living than the average citizen of Ghana.
  - There is only a weak link between a higher economic output and a cleaner environment.
34. Within a country in a given year, all of the following values are equal to each other EXCEPT
- production
  - income
  - expenditures
  - money supply
  - GDP
35. Which of the following actions would NOT contribute to government spending in the GDP calculation?
- The United States government pays interest on debt it owes.
  - The Belgian government spends \$100 million on new fighter jets.
  - A county in California pays its postal workers.
  - Russia hires new bodyguards for government officials.
  - The Chinese government pays \$500 million to its teachers.
36. Which of the following statements BEST defines crowding out?
- The government increases its borrowing to fund deficit spending, thereby allocating resources to the most productive actors.
  - The government increases borrowing to fund deficit spending, raising interest rates and reducing private investment.
  - Private citizens increase their demand for loans to the point at which the government can no longer finance public spending projects.
  - The government decreases borrowing, encouraging private and public investment and increasing the economy's supply of savings.
  - The government funds deficit spending through borrowing, lowering interest rate and reducing private investment.
37. Which of the following macroeconomic indicators reflects a country's output in current year prices?
- nominal GDP
  - structural GDP
  - GDP deflator
  - real GDP
  - CPI
38. Which of the following statements is FALSE?
- The business cycle describes an economy's fluctuations.
  - Macroeconomists generally try to reduce the length of recessions.
  - The United States' economy has grown at an unsteady pace.
  - The United States experienced a recession between 1929 to 1933.
  - A period between a peak and a trough is an expansion.
39. What effect does a Spanish company's buying a new factory in the United States have on Spain's net capital outflow and GDP?
- It increases net capital outflow and GDP.
  - It increases net capital outflow and does not affect GDP.
  - It decreases net capital outflow and increases GDP.
  - It decreases net capital outflow and GDP.
  - It increases net capital outflow and decreases GDP.
40. In the circular flow model, the money households send to the market for goods and services contributes to
- consumption in GDP calculation
  - investment in GDP calculation
  - government spending in GDP calculation
  - firm spending in GDP calculation
  - net exports in GDP calculation
41. Which of the following factors BEST explains the difference in living standards between North and South Korea?
- political and legal environments
  - human capital
  - physical capital
  - technological knowledge
  - natural resources

42. The president of a country wants to increase the standard of living in her country. Which of the following actions would NOT help her achieve her goal?
- subsidizing research and development
  - investing in physical capital
  - limiting patent protections
  - investing in human capital
  - encouraging technological knowledge
43. Henry Ford's assembly line is an example of
- technological knowledge
  - technical knowledge
  - natural resources
  - physical capital
  - human capital
44. Which economist created a system to measure national output during the Great Depression?
- Joseph Stiglitz
  - Simon Kuznets
  - John Maynard Keynes
  - Sir William Petty
  - Arthur Okun
45. Adam quit his job at the bank and is now looking for a new job. Adam is
- structurally unemployed
  - cyclically unemployed
  - chronically unemployed
  - frictionally unemployed
  - seasonally unemployed
46. Jessica graduates from college with a degree in business but cannot find a job that matches her skills. So, she works part-time at a fast food restaurant while continuing to search for a more suitable career. Jessica is
- employed
  - out of the labor force
  - structurally unemployed
  - cyclically unemployed
  - frictionally unemployed
47. Which of the following statements about mutual funds is FALSE?
- Mutual funds have a low degree of diversification.
  - Knowledgeable professionals manage mutual funds.
  - Savers with small amounts of money often use mutual funds.
  - Mutual funds usually include both stocks and bonds.
  - The value of a mutual fund changes over time.
48. Which of the following macroeconomic indicators measures an economy's total output, adjusted for inflation?
- nominal GDP
  - GDP deflator
  - GDP per capita
  - real GDP
  - Consumer Price Index
49. Trisha wants to purchase a bond with the highest possible interest rate. To do this, she should buy a bond with a
- short maturity and from a financially unstable company
  - long maturity and from a financially stable company
  - medium maturity and from a financially stable company
  - long maturity and from a financially unstable company
  - short maturity and from a financially stable company
50. Camille buys 10 shares, each priced \$500, of Tesla stock on a stock exchange in 2020. As a result, GDP
- does not change
  - decreases by \$5,000
  - increases by \$5,000
  - increases by \$500
  - decreases by \$500