

Question #1 of 47

Question ID: 1456945

The unemployment rate is the number of unemployed individuals divided by the:

- A) number of employed individuals.
 - B) working-age population.
 - C) total labor force.
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Question #2 of 47

Question ID: 1456943

When individuals are unemployed because they do not have perfect information concerning available jobs, this is:

- A) frictional unemployment.
 - B) natural unemployment.
 - C) structural unemployment.
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Question ID: 1456955

Which of the following statements regarding inflation is *most* accurate?

- A) Inflation is present if the prices of some goods and services are increasing.
 - B) An economy experiences inflation when there is a persistent increase in the prices of almost all goods and services.
 - C) Inflation occurs when there is a steady increase in the relative prices of key commodities.
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Question ID: 1456950

The labor-force participation rate is defined as the percentage of the:

- A) labor force who are working.
 - B) working-age population who are working or actively looking for work.
 - C) working-age population who are working.
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Question ID: 1456931

An economy has been producing at its full-employment level of output and the price level has been stable. Businesses then begin experiencing unintended decreases in their inventory levels. What does this *most likely* imply about the short-run outlook for economic growth and inflation?

<u>Economic growth</u>	<u>Inflation</u>
A) Increasing	Increasing
B) Decreasing	Increasing
C) Increasing	Decreasing

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Question ID: 1456959

The current annual inflation rate, as measured by using the Consumer Price Index (CPI), is *best* defined as:

- A) increase in the CPI from a year ago.
 - B) percentage change in the CPI from a year ago.
 - C) percentage change in the CPI from its base period.
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Question ID: 1456936

At a recent symposium, "The Great Economic Debate of the Decade" several panelists were asked to state their opinions on aggregate demand and aggregate supply.

Panelist 1 stated that he believed shifts in both aggregate demand and aggregate supply were driven primarily by changes in technology over time.

Panelist 2 stated that she believed the focus of economic policy should be to directly increase aggregate demand by increasing the money supply or through fiscal policy.

The views of Panelist 1 and Panelist 2 would *best* be described as which economic school of thought?

<u>Panelist 1</u>	<u>Panelist 2</u>
A) Keynesian	New Keynesian
B) Neoclassical	Keynesian
C) New Classical	Monetarist

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Question ID: 1456935

Which of the following *most* accurately describes the Monetarist school of macroeconomic thought in relation to aggregate demand and aggregate supply? Monetarists believe that the money supply should be:

- A)** increased during inflationary periods and reduced during recessionary periods.
 - B)** increased by a predictable rate annually.
 - C)** reduced during inflationary periods and increased during recessionary periods.
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Question ID: 1456961

Consumer price indexes are *least likely* to:

- A)** be calculated for stages of processing.
- B)** compare current prices to prices in a base year.
- C)** reflect the typical purchasing patterns of consumers.

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Question ID: 1456932

Increases in firms' inventory-sales ratios are *most likely* to occur:

- A)** during an economic contraction.
 - B)** just before a peak in the economic cycle.
 - C)** just after the trough of the economic cycle.
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Question ID: 1456927

When the economy enters an expansion phase, the *most likely* effect on external trade is a(n):

- A)** decrease in exports.
 - B)** increase in exports.
 - C)** increase in imports.
-

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Question ID: 1456924

During an economic contraction:

- A)** inflation pressures are typically decreasing.
 - B)** real GDP growth is greater than its sustainable long-term rate.
 - C)** the unemployment rate typically decreases.
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Question ID: 1456947

Which of the following is *least likely* one of the three types of unemployment?

- A)** Frictional.
- B)** Structural.

C) Seasonal.

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Question ID: 1456949

Maddeline Bradley left her position at a commercial bank to raise her two-year-old daughter. How is Bradley classified from the viewpoint of employment statistics?

- A) Not in the labor force.
 - B) Unemployed.
 - C) Employed.
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Question ID: 1456933

According to Austrian school theory, business cycles are caused by:

- A) excessive optimism or pessimism among business managers.
 - B) long-run structural changes in real economic variables.
 - C) government intervention in the economy.
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Question ID: 1456965

Which of the following statements about biases that affect the consumer price index (CPI) is *least* accurate?

- A) Price increases that result from quality improvements are reflected as increases in the CPI.
 - B) The basket of goods on which the CPI is based becomes a less accurate measure of household costs as new goods appear on the market.
 - C) The net effect of built-in biases in the CPI is to underestimate inflation.
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Joe Lebow, an analyst, is discussing the difference between inflation and price level. Lebow states: "The higher the price level in the current year compared to the price level in the previous year, the higher is the inflation rate of a country. Any increase in the price level is evidence of positive inflation." Lebow's statement is:

- A) incorrect because not all increases in the price level indicate inflation.
 - B) correct.
 - C) incorrect because it inaccurately describes the calculation of an inflation rate.
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Question ID: 1456969

Inflation resulting from a decrease in taxes is *most likely*:

- A) demand-pull inflation.
 - B) stagflation.
 - C) cost-push inflation.
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Question ID: 1456925

The expansion phase of a business cycle is *most likely* characterized by:

- A) the rate of economic growth changing from negative to positive.
 - B) decreasing inflationary pressures.
 - C) increasing employment.
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Question ID: 1456942

Average weekly initial claims for unemployment insurance are classified as a:

- A) leading indicator.
- B) coincident indicator.
- C) lagging indicator.

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Question ID: 1456956

Which of the following statements regarding inflation is *most* accurate?

- A)** The purchasing power of money increases as a result of inflation.
 - B)** Inflation is a persistent increase in the general price level of goods and services.
 - C)** As a result of inflation, all borrowers gain at the expense of lenders.
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Question ID: 1456940

Manufacturing and trade sales are *best* described as a:

- A)** coincident indicator.
 - B)** lagging indicator.
 - C)** leading indicator.
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Question ID: 1456960

Which of the following statements *most* accurately describes the difference between headline inflation and core inflation? Core inflation:

- A)** excludes raw materials and goods in process, while headline inflation includes all goods.
 - B)** refers to producer prices, while headline inflation refers to consumer prices.
 - C)** excludes food and energy prices, while headline inflation includes them.
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Question ID: 1456929

As an economic expansion approaches its peak, the economy is *most likely* to show:

- A)** a decrease in inventory levels.

- B) accelerating sales growth.
 - C) an increase in the inventory-to-sales ratio.
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Question ID: 1456967

Which of the following statements is *most accurate*? Cost-push inflation:

- A) often occurs because of an increase in short-run aggregate supply.
 - B) results from excess short-run aggregate demand.
 - C) typically results from a significant price increase in a production input.
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Question ID: 1456930

A firm's *most likely* initial response to a cyclical increase in the inventory-to-sales ratio is to adjust their utilization of labor by:

- A) adding new workers.
 - B) laying off employees.
 - C) reducing overtime.
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Question ID: 1456952

Steve Walker, CFA, is attending an economics lecture, during which the lecturer makes the following two statements about consumer price inflation:

Statement 1: High-definition televisions are considerably more expensive than traditional models. This means consumers are spending more money per television unit, which represents a form of inflation.

Statement 2: Employment contracts with automatic increases based on the Consumer Price Index fail to increase wages as much as the increase in the cost of living because of biases in the price index.

Should Walker *agree* or *disagree* with these statements?

	<u>Statement 1</u>	<u>Statement 2</u>
A) Disagree		Agree
B) Agree		Agree
C) Disagree		Disagree

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Question ID: 1462787

If the number of employed remains constant, what effects will a decrease in the labor force have on the unemployment rate?

- A)** Decrease.
 - B)** Increase.
 - C)** No effect.
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Question ID: 1456968

Which of the following factors would *least likely* result in demand-pull inflation? An increase in:

- A)** energy prices.
- B)** exports.

C) the quantity of money.

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Question ID: 1456934

According to Keynesian school theory, business cycles are caused by:

- A) changes in technology over time.
 - B) excessive optimism or pessimism among business managers.
 - C) inappropriate variations in the growth of the money supply.
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Question ID: 1456944

Which of the following is the *most* accurate definition of the labor force?

- A) People of working age who are either employed or seeking employment.
 - B) All people of working age.
 - C) People of working age who are not confined to institutions.
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Question ID: 1456948

Which type of unemployment describes a situation where workers who have been laid off due to economic changes and they are unable to find work due to a lack of education or the necessary skills to move into another available job?

- A) Cyclical.
 - B) Frictional.
 - C) Structural.
-

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Question ID: 1456946

Which type of unemployment describes situations where qualified workers are not immediately matched with existing job openings?

- A) Structural.
 - B) Cyclical.
 - C) Frictional.
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Question ID: 1456941

The inventory-to-sales ratio for manufacturing and trade is classified as a:

- A) lagging indicator.
 - B) leading indicator.
 - C) coincident indicator.
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Question ID: 1456964

Which of the following is *least likely* a source of bias in CPI data?

- A) Quality changes.
 - B) Sample selection.
 - C) Substitution.
-

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Question ID: 1456938

Economics lecturer Marvin Ford makes the following statements:

- The economy can remain below full employment for extended periods because wages do not adjust downward quickly when aggregate demand decreases.
- The best policy to recover from a recession is to stimulate aggregate demand directly using fiscal and monetary policy.

The business cycle theory that Ford's statements *most likely* represent is:

- A) Neoclassical.
 - B) Austrian.
 - C) Keynesian.
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An economy with a consistently negative inflation rate is *best* described as experiencing:

- A) disinflation.
 - B) deflation.
 - C) hyperinflation.
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Question ID: 1456939

Which of the following economic indicators is classified as a leading indicator for the United States economy?

- A) Average duration of unemployment.
 - B) Index of consumer expectations.
 - C) Industrial production.
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Question ID: 1456957

Which one of the following is *most likely* to experience loss of wealth from an increase in the inflation rate?

- A) A commercial bank that has a large quantity of fixed-rate mortgages in its loan portfolio.
- B) An individual investor who financed the purchase of a home with a 30-year fixed rate mortgage.
- C) An individual investor who recently purchased a substantial amount of variable rate bonds.

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Question ID: 1456923

A peak in the business cycle is *most likely* associated with:

- A)** payroll employment turning from positive to negative.
 - B)** decreasing inflation pressure.
 - C)** the highest level of economic output during the cycle.
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Question ID: 1456966

A price index that is calculated using the current consumption weights of the index's basket of goods and services is known as a:

- A)** Paasche price index.
 - B)** hedonic price index.
 - C)** Laspeyres price index.
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Question ID: 1456926

Which of the following statements about credit cycles is *most accurate*?

- A)** Credit cycles are a potential cause of asset price bubbles.
 - B)** A typical business cycle includes two or more credit cycles.
 - C)** Credit cycles tend to dampen business cycles.
-

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Question ID: 1456962

Which of the following types of price index is *most likely* to include a sub-index for raw materials?

- A)** Consumer price index.

- B) GDP deflator.
 - C) Wholesale price index.
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Question ID: 1456937

Which of the following statements is *most* accurate regarding monetarists? Monetarists believe that:

- A) steady, predictable money growth is the best monetary policy.
 - B) discretionary monetary policy is the best way to moderate fluctuations in prices and output.
 - C) fiscal policy is the most powerful of all government tools used to affect prices and output.
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Question ID: 1456963

A Laspeyres price index tends to:

- A) overstate the inflation rate because its market basket is variable.
 - B) overstate the inflation rate, because its market basket is fixed.
 - C) understate the inflation rate because its market basket is fixed.
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Question ID: 1456928

Firms' initial responses to an emerging economic contraction are *most likely* to be:

- A) reducing overtime hours.
 - B) deferring maintenance of machinery.
 - C) laying off workers.
-

Which of the following is *best* described as an example of structural unemployment?

- A)** When the plant was modernized, Jones lost her job because she did not have the skill needed to operate the new equipment.
- B)** Although there were jobs available, Johnson was unable to find an employer with a satisfactory opening.
- C)** Smith was laid off due to negative growth of GDP, and did not seek other employment until he was recalled to his job.