

Q-1. Assuming all other factors remain unchanged, which of the following changes would most likely cause a simultaneous increase in the participation ratio and a decrease in the unemployment rate?

- A. An increase in the number of people included in the labor force.
- B. A decrease in the total population of working age people.
- C. A decrease in the number of unemployed people.

Q-2. In regard to the aggregate demand curve and an increase in one of its associated factors, which of the following relationships is least accurate (Exchange rate is foreign currency per unit of domestic currency)?

	Increase in factor	Shifts the AD curve	Reason
A.	Stock prices	Rightward	Lower investment
B.	Consumer confidence	Rightward	Higher consumption
C.	Exchange rate	Leftward	Lower exports and higher imports

Q-3. Which of the following would be most useful as a leading indicator to signal the start of an economic recovery?

- A. An increase in aggregate real personal income (less transfer payments)
- B. A decrease in average weekly initial claims for unemployment insurance
- C. The narrowing of the spread between the 10-year Treasury yield and the federal funds rate

Q-4. A new technology that reduces employee illness will most likely decrease:

- A. demand-pull inflation.
- B. cost-push inflation.
- C. cost-pull inflation.

Q-5. Stagflation is best described as an economic situation involving high inflation and high:

- A. economic growth.
- B. aggregate supply.
- C. unemployment.