

Georgia Institute of Technology  
Advanced Macroeconomics  
Spring 2008  
**QUIZ # 1 Key**

Five multiple choice question, circle the **best answer**.

1. Which of the following statements regarding real gross domestic product is **not** true?

♠ If only includes the base period's value of all goods and services sold in the economy.

b. It is measured for particular time period, usually one year.

c. It is perhaps the most effective means of viewing the same economy over time.

d. It is adjusted against inflation.

e. Over time its value changes and therefore is a flow variable.

2. Suppose  $L_u$ =those qualified workers who are unemployed;  $L_e$ =those qualified workers who are employed; and  $L_{ap}$ =those adults are not in the labor-force. Which expression would be equal to the labor-force participation rate?

a.  $\frac{L_u}{L_e + L_u}$

b.  $\frac{L_e}{L_e + L_u}$

c.  $\frac{L_u}{L_e + L_u + l_{ap}}$

d.  $\frac{L_e}{L_e + L_u + l_{ap}}$

♠  $\frac{L_u + L_e}{L_e + L_u + l_{ap}}$

3. For an economy, the difference between employment rate and unemployment rate equals 0.84, the unemployment rate of this economy equals

a. 0.25.

b. 0.12.

c. 0.05

♣. **0.08.**

e. none of the above.

$$E + U = 1$$

$$E - U = 0.84$$

$$2E = 1.84$$

$$E = 0.92$$

$$U = 1 - 0.92 = 0.08.$$

Also you can go by trial and error method.

4. For an economy, the ratio of unemployment rate to employment rate equals 0.16, the unemployment rate for this economy in percentage form (correct two two decimal places) is

- a. 10.27%.
- ♠ **13.79%.**
- c. 8.00%.
- d. 17.32%.
- e. none of the above.

$$U = \frac{\frac{U}{E}}{1 + \frac{U}{E}} = \frac{0.16}{1.16} = 0.1379$$

5. In an economy, the size of total adult population equals 150 million and the product of employment rate and labor-force participation rate equals 0.6256, the size of the employed workers equals

- a. 95.84 million.
- b. 103.02 million.
- c. 86.34 million.
- d. 89.27 million.
- ♠ **none of the above.**

$$E \times LFPR = \frac{L_e}{L}$$

$$0.6256 = \frac{L_e}{150}$$

$$L_e = 150 \times 0.6256 = 93.84.$$