

Name: _____ Date: _____

Use the following to answer questions 1-2:

Table: Consumer Price Index

Year	CPI Value
2005	100
2006	107
2007	113
2008	121
2009	129

1. (Table: Consumer Price Index) Refer to the CPI values in the table above for the years 2005 to 2009: What was the approximate inflation rate over the period 2007 to 2008?
A) 6.6%
B) 8%
C) 21%
D) 7.1%
2. Refer to the CPI values in the table above. Suppose your brother graduated college in 2006 and got a job paying \$45,000. What would be the equivalent in 2009 dollars?
A) \$58,050
B) \$37,350
C) \$42,050
D) \$54,250
3. What do we call an increase in the average level of prices in an economy?
A) recession
B) stagflation
C) deflation
D) inflation
4. The percentage increase in a price index from one year to the next is the:
A) change in real GDP.
B) rate of inflation.
C) GDP inflator.
D) None of the answers is correct.

5. If the price level in the year 2000 is 100, and the price level in the year 2001 is 110, what is the inflation rate in 2001?
- A) 100%
 - B) 110%
 - C) 10%
 - D) 9%
6. Suppose a nation's inflation rate is 5.8% from Year 1 to Year 2. If the CPI in Year 2 is 200, what was the CPI in Year 1?
- A) 180
 - B) 189
 - C) 190
 - D) 208
7. The quantity theory of money describes the relationship between:
- A) prices, employment, money, and production.
 - B) money velocity, money, real output, and prices.
 - C) GDP, money, consumption, and savings.
 - D) None of the answers is correct.
8. What two components of the quantity theory of money are assumed to be stable?
- A) velocity of money and price level
 - B) real GDP and price level
 - C) real GDP and velocity of money
 - D) money supply and velocity of money
9. In a small economy, the quantity of money circulating in the economy is \$2.5 million. Real GDP for the current year is \$5 million, and the price level is 2. What is the velocity of money?
- A) 4
 - B) 2
 - C) 10
 - D) 5
10. In a small economy, the money supply is \$400,000, and the velocity of money is 3. The current price level in the economy is 1. What is the level of real GDP in this economy?
- A) \$1.2 million
 - B) \$1.6 million
 - C) \$400,000.
 - D) \$133,333.

Answer Key

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