Multiple Choice
Identify the choice that best completes the statement or answers the question.

1. Ch. 10. In 2012, GDP per person in the United States was almost
   a. $20,000.
   b. $150,000
   c. $50,000
   d. $15,000.

2. Ch. 14. What is the present value of a payment of $250 one year from today if the interest rate is 4 percent?
   a. $284.40
   b. $260.00
   c. $240.38
   d. $264.12

Scenario 26-2. Assume the following information for an imaginary, closed economy.

   GDP = $200,000; consumption = $120,000; government purchases = $35,000; and taxes = $25,000.

3. Ch. 13. Refer to Scenario 26-2. For this economy, national saving is equal to
   a. $30,000.
   b. $35,000.
   c. $60,000.
   d. $45,000.

4. Ch. 12. Last year real GDP per person in the imaginary nation of Olympus was 4,500. The year before it was 4,250. By about what percentage did Olympian real GDP per person grow during the period?
   a. 4.6 percent
   b. 6.5 percent
   c. 5.9 percent
   d. 5.2 percent

5. Ch. 12. Two countries are the same, except one is poorer (lower capital per person). Assuming the traditional assumption about the production function is made there are
   a. diminishing returns to capital so the poor country grows slower.
   b. diminishing returns to capital so the poor country grows faster.
   c. increasing returns to capital so the poor country grows slower.
   d. increasing returns to capital so the poor country grows faster.
6. Ch. 14. Suppose the interest rate is 7 percent. Consider four payment options:
   Option A: $500 today.
   Option B: $550 one year from today.
   Option C: $575 two years from today.
   Option D: $600 three years from today.

Which of the payments has the highest present value today?
   a. Option D
   b. Option B
   c. Option C
   d. Option A

Table 23-5

A hypothetical country of Lahland produces only movies and popcorn. Quantities and prices of these goods for the last several years are shown below. The base year is 2009.

<table>
<thead>
<tr>
<th>Year</th>
<th>Price of Movies</th>
<th>Quantity of Movies</th>
<th>Price of Popcorn</th>
<th>Quantity of Popcorn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$10.00</td>
<td>400</td>
<td>$5</td>
<td>800</td>
</tr>
<tr>
<td>2009</td>
<td>$11.00</td>
<td>500</td>
<td>$4</td>
<td>900</td>
</tr>
<tr>
<td>2010</td>
<td>$12.00</td>
<td>600</td>
<td>$5</td>
<td>1000</td>
</tr>
<tr>
<td>2011</td>
<td>$12.00</td>
<td>600</td>
<td>$6</td>
<td>900</td>
</tr>
</tbody>
</table>

7. Ch. 10. Refer to table 23-5 What is the Nominal GDP for 2010?
   a. $1,000
   b. $12,200
   c. $1,600
   d. $600

8. Ch. 10. When an American household purchases a bottle of Italian wine for $100,
   a. U.S. consumption does not change, U.S. net exports increase by $100, and U.S. GDP increases by $100.
   b. U.S. consumption increases by $100, U.S. net exports decrease by $100, and U.S. GDP does not change.
   d. U.S. consumption does not change, U.S. net exports decrease by $100, and U.S. GDP decreases by $100.

9. Ch. 14. Samantha holds stocks in four companies. If she adds stocks of several more companies she will decrease
   a. firm specific risk and market risk.
   b. firm specific risk but not market risk.
   c. market risk but not firm specific risk.
   d. neither firm specific nor market risk.
10. Ch. 14. If the efficient markets hypothesis is correct, then
   a. the stock market is informationally efficient; the stock prices follow random walk.
   b. stock prices never follow a random walk.
   c. the number of shares of stock offered for sale exceeds the number of shares of stock that
      people want to buy.
   d. The stock prices can be predicted with econometric models.

**Table 23-4**

The country of Caspir produces only cereal and milk. Quantities and prices of these goods for the last
several years are shown below. **The base year is 2008.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Price of Cereal</th>
<th>Quantity of Cereal</th>
<th>Price of Milk</th>
<th>Quantity of Milk</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$4.00</td>
<td>90</td>
<td>$1.50</td>
<td>150</td>
</tr>
<tr>
<td>2009</td>
<td>$4.00</td>
<td>100</td>
<td>$2.00</td>
<td>180</td>
</tr>
<tr>
<td>2010</td>
<td>$5.00</td>
<td>120</td>
<td>$2.50</td>
<td>200</td>
</tr>
<tr>
<td>2011</td>
<td>$6.00</td>
<td>150</td>
<td>$3.50</td>
<td>200</td>
</tr>
</tbody>
</table>

11. Ch. 10. **Refer to Table 23-4.** In 2010, this country’s
   a. real GDP was $825, and the GDP deflator was 141.0
   b. real GDP was $780, and the GDP deflator was 133.3
   c. real GDP was $825, and the GDP deflator was 133.3.
   d. real GDP was $780, and the GDP deflator was 141.0.

**Table 24-1**

The table below pertains to Pieway, an economy in which the typical consumer’s basket consists of 10
bushels of peaches and 15 bushels of pecans.

<table>
<thead>
<tr>
<th>Year</th>
<th>Price of Peaches</th>
<th>Price of Pecans</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$11 per bushel</td>
<td>$6 per bushel</td>
</tr>
<tr>
<td>2006</td>
<td>$9 per bushel</td>
<td>$10 per bushel</td>
</tr>
</tbody>
</table>

12. Ch. 11. **Refer to Table 24-1.** If 2005 is the base year, then the CPI for 2006 was
   a. 120.
   b. 100.
   c. 83.3.
   d. 240.

13. Ch. 11. **Refer to Table 24-1.** If 2006 is the base year, then the CPI for 2006 was
   a. 100.
   b. 120.
   c. 240.
   d. 83.3.
14. Ch. 11. Suppose that U.S. mining companies purchase US-made trucks. By itself, what effect will this purchase have on the GDP deflator and on the consumer price index?
   a. The consumer price index and the GDP deflator will both be unaffected.
   b. The consumer price index will be affected, and the GDP deflator will be unaffected.
   c. The consumer price index will be unaffected, and the GDP deflator will be affected.
   d. The consumer price index and the GDP deflator will both be affected.

15. Ch. 14. Three years ago Heidi put $1,200 into an account paying 2 percent interest. How much is the account worth today?
   a. $1,224.00
   b. $1,176.47
   c. $1,273.45
   d. $1,248.48

16. Ch. 12. In one day Madison Laundry washed 4,000 pounds of laundry with 5 workers who each worked 8 hours. What was its productivity?
   a. 100 pounds of laundry per hour
   b. 500 pounds of laundry per hour
   c. 4000 pounds of laundry
   d. 500 pounds of laundry per worker

17. Ch. 13. If Research in Motion, Inc. sells a bond it is
   a. lending indirectly to the public.
   b. borrowing indirectly from the public.
   c. lending directly to the public.
   d. borrowing directly from the public.

18. Ch. 10. In the economy of Uktzen in 2010, exports were $500, GDP was $6400, government purchases were $1500, imports were $600, and investment was $2000. What was Uktzen’s consumption in 2010?
   a. $2800
   b. $4000
   c. $3000
   d. $1800

19. Ch. 13. Compared to bondholders, stockholders
   a. face lower risk and have the potential for higher returns.
   b. face lower risk but receive a fixed payment.
   c. face higher risk and have the potential for higher returns.
   d. face higher risk but receive a fixed payment.

20. Ch. 15. Who of the following would necessarily be included in the Bureau of Labor Statistics’ “unemployed” category?
   a. Robert, who works full time as unpaid volunteer, looking for a paid job and ready to start immediately.
   b. Julie, who has a job but tries to find a new one.
   c. Lisa, who does not work and is not looking for a job.
   d. Peter, who does not have a job and is looking for a job but has to wait 6 months before he is ready to start.
21. Ch. 15. The natural unemployment rate includes
   a. neither frictional nor structural unemployment.
   b. frictional, but not structural unemployment.
   c. structural, but not frictional unemployment.
   d. both frictional and structural unemployment.

22. Ch. 13. Suppose that in a closed economy GDP is equal to 11,000, taxes are equal to 2,500, consumption equals 7,000, and government purchases equal 3,000. What are private saving and public saving?
   a. 1,500 and 500, respectively
   b. 1,000 and 500, respectively
   c. 1,500 and -500, respectively
   d. 1,000 and -500, respectively

23. Ch. 12. An economy’s production function has the constant-returns-to-scale property. If the economy’s labor force doubled and all other inputs also doubled, then real GDP would
   a. increase by exactly 100 percent.
   b. increase by exactly 200 percent.
   c. stay the same.
   d. increase, but not necessarily by either 200 percent or 100 percent.

24. Ch. 13. Crowding out occurs when investment declines because
   a. a budget surplus makes interest rates rise.
   b. a budget deficit makes interest rates rise.
   c. a budget surplus makes interest rates fall.
   d. a budget deficit makes interest rates fall.

25. Ch. 12. Which of the following is physical capital?
   a. financial assets like cash and bonds
   b. the knowledge of workers
   c. the strength of workers
   d. the equipment in a factory

26. Ch. 11. Janelle earned a salary of $40,000 in 1996 and $65,000 in 2006. The consumer price index was 160 in 1996 and 266 in 2006. Janelle’s 2006 salary in 1996 dollars is
   a. $39,098.
   b. $43,063.
   c. $68,900.
   d. $108,063.

27. Ch. 11. The inflation rate is -1% (i.e. deflation) and the nominal interest rate is 6%. What is the real interest rate during this period?
   a. 1%
   b. 5%
   c. 7%
   d. 6%
28. Ch. 15. In June 2009 the BLS reported an adult population of 234.9 million, a labor force of 154 million and employment of 141.6 million. Based on these numbers the unemployment rate was
   a. 39.7%
   b. 5.3%
   c. 8.1%
   d. 6.1%

29. Ch. 15. The BLS classifies people who would like to work but have given up looking for a job as a. unemployed. If they were classified as out of the labor force, the reported unemployment rate would be larger.
   b. out of the labor force. If they were classified as unemployed, the reported unemployment rate would be larger.
   c. out of the labor force. If they were classified as unemployed, the reported unemployment rate would be smaller.
   d. unemployed. If they were classified as out of the labor force, the reported unemployment rate would be smaller.

*Table 28-1*

Labor Data for Aridia

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult population</td>
<td>2000</td>
</tr>
<tr>
<td>Number of employed</td>
<td>1400</td>
</tr>
<tr>
<td>Number of unemployed</td>
<td>200</td>
</tr>
</tbody>
</table>

30. Ch. 15. Refer to Table 28-1. The number of adults not in the labor force of Aridia in 2010 was
   a. 1200.
   b. 400.
   c. 200.
   d. 600.