1. The topics studied in macroeconomics include:
   A) inflation.
   B) unemployment.
   C) economic growth.
   D) inflation, unemployment and economic growth.

2. Which of the following is most likely a macroeconomics question rather than a microeconomics question?
   A) "Is the national unemployment rate rising or falling?"
   B) "Are consumers buying more bottled water and less fruit juice?"
   C) "Are salaries for nurses rising or falling?"
   D) "Should a tax be levied on each ton of carbon a factory emits?"

3. The widely held view that the government should take an active role in the macroeconomy dates back to:
   A) the Civil War.
   B) World War I.
   C) the Great Depression.
   D) the Vietnam War.

4. Changing the level of government spending is an example of:
   A) fiscal policy.
   B) interest rate policy.
   C) monetary policy
   D) exchange rate policy

5. The modern tools of macroeconomic policy are:
   A) tax policy and antitrust policy.
   B) fiscal policy and monetary policy.
   C) monetary policy and exchange rate policy.
   D) capital policy and labor policy.

6. Controlling interest rates is an example of:
   A) fiscal policy.
   B) tax policy.
   C) monetary policy.
   D) exchange rate policy.
7. Fiscal policy refers to:
   A) the control of interest rates.
   B) the control of government spending and taxations.
   C) the control of the quantity of money.
   D) the control of interest rates and of government spending.

8. The economist whose writings in the 1930's concluded that the cause of an economic depression is inadequate spending was:
   A) Herbert Hoover
   B) John Maynard Keynes
   C) Andrew Mellon
   D) Joseph Schumpeter

9. Monetary policy attempts to affect the overall level of spending in the economy by changes in:
   A) taxes.
   B) taxes and spending.
   C) taxes and interest rates.
   D) interest rates and the quantity of money.

10. If macroeconomic policy has been successful over a period of time, it is likely that the economy has not seen:
    A) any inflation.
    B) severe recessions.
    C) any unemployment.
    D) a business cycle.

11. When the Great Depression reached its trough in 1933, the unemployment rate was approximately:
    A) 5%.
    B) 10%.
    C) 25%.
    D) 50%.

12. A recession leads to all of the following EXCEPT:
    A) higher unemployment.
    B) reduced output.
    C) reduced income and living standards.
    D) higher employment.
13. A period of rising real GDP is a(n):
   A) peak.
   B) trough.
   C) expansion.
   D) recession.

Use the following to answer questions 14-15:

**Figure: The Business Cycle**

![Graph of the Business Cycle](image)

14. (Figure: The Business Cycle) Point B on this graph shows
   A) a peak.
   B) a trough.
   C) an expansion.
   D) a recession.

15. (Figure: The Business Cycle) The movement from point B to C is called:
   A) a trough.
   B) an expansion,
   C) a depression.
   D) a peak.

16. A share in the ownership of a company held by a shareholder is considered a(n):
   A) bond.
   B) stock.
   C) dividend.
   D) IOU.
17. Most households derive the bulk of their income from which of the following sources?
   A) wages  
   B) interest  
   C) profit  
   D) rent

18. Gross domestic product is the economy's total production of _______ for a given time period.
   A) good and services  
   B) final goods and services  
   C) intermediate goods and services  
   D) consumer goods and services

19. Which one of the following transactions is included in a current year's GDP as investment spending?
   A) ABC company purchased 10,000 shares of IBM stock.  
   B) Ronnie bought a new BMW.  
   C) Anton purchased his friend's condo.  
   D) Maggie bought a play-gym set for her day-care business.

Use the following to answer question 20:

**Table: Calculating GDP**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td>$2,400</td>
</tr>
<tr>
<td>Consumption Spending</td>
<td>7,900</td>
</tr>
<tr>
<td>Social Security Benefit</td>
<td>6,100</td>
</tr>
<tr>
<td>Investment Spending</td>
<td>2,100</td>
</tr>
<tr>
<td>Wages and Salaries</td>
<td>6,500</td>
</tr>
<tr>
<td>Exports</td>
<td>800</td>
</tr>
<tr>
<td>Interest</td>
<td>1,900</td>
</tr>
<tr>
<td>Government Purchases of goods and services</td>
<td>2,600</td>
</tr>
<tr>
<td>Profits</td>
<td>1,400</td>
</tr>
<tr>
<td>Imports</td>
<td>1,200</td>
</tr>
<tr>
<td>Purchase of stocks</td>
<td>6,300</td>
</tr>
<tr>
<td>Unemployment Compensation</td>
<td>3,950</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>2,965</td>
</tr>
<tr>
<td>Sales Taxes</td>
<td>1,300</td>
</tr>
</tbody>
</table>
20. (Table: Calculating GDP) Using the information in the table provided, which of the following is the correct calculation for GDP in 2008?
   A) $47,475
   B) $12,200
   C) $21,485
   D) $34,085

21. GDP is the sum of:
   A) personal consumption, investment, government purchases, exports and imports.
   B) personal consumption, investment, government purchases, and net exports.
   C) personal consumption, investment, government purchases, and net imports.
   D) value added, net imports, and government purchases.

22. Which one of the following equations correctly measures GDP?
   A) \( C + I + G + IM\bar{T}X\)
   B) \( C + I + G + X\bar{T}IM\)
   C) \( C + I + G + X + IM\)
   D) \( C + I + G\bar{T}T + TR\)

23. The labor force is:
   A) the total of people employed.
   B) the total population.
   C) the total of the population of working age.
   D) the total of people employed and unemployed.

24. To be counted as unemployed, one must:
   A) have had a job previously.
   B) be out of work and be actively looking for a job.
   C) have had a job before and be actively looking for work.
   D) actively looking for a job and have at least a high-school degree or its equivalent

25. If a country has a working-age population of 200 million, 135 million people with jobs, and 15 million people unemployed and seeking employment, then its labor force is:
   A) 335 million.
   B) 200 million.
   C) 155 million.
   D) 150 million.
26. According to the official unemployment rate a person who is not working and is not looking for work is:
   A) unemployed.
   B) underemployed.
   C) a member of the labor force not working.
   D) not counted in the unemployment statistics.

27. You are a college student who is not working or looking for work. You are:
   A) unemployed.
   B) considered in the labor force but not employed.
   C) not part of the labor force.
   D) not described by any of the above.

28. A person without a job who is actively seeking and available for work is considered:
   A) employed.
   B) unemployed.
   C) underemployed.
   D) marginally attached.

29. A survey reveals that on a small island initially 40 people have jobs, 10 people are looking for jobs, and 30 people are neither working nor looking for work. Suppose that 10 of the 30 people who weren't looking for work now begin looking for work. There are now 20 people looking for work and 40 people working. What happens to the unemployment rate?
   A) It rises to 33.3%.
   B) It rises to 50.0%.
   C) It falls to 25.0%.
   D) Nothing happens to the unemployment rate, because these people weren't working before and they aren't working now.

30. A survey reveals that on a small island 100 people have jobs, 25 people are looking for jobs, and 45 people are neither working nor looking for work. The unemployment rate on the island is:
   A) 12.5%.
   B) 20.0%.
   C) 25.0%.
   D) 50.0%.
31. A survey reveals that on a small island initially 100 people have jobs, 25 people are looking for jobs, and 45 people are neither working nor looking for work. Suppose that 15 of the 45 people who weren't looking for work now begin looking for work. There are now 40 people looking for work and 100 people working. What happens to the unemployment rate?
   A) It falls to 20%.
   B) It rises to 28.6%.
   C) It rises to 50.0%.
   D) Nothing happens to the unemployment rate, because these people weren't working before and they aren't working now.

32. A survey reveals that on a small island 1,000 people have jobs, 250 people are looking for jobs, and 450 people are neither working nor looking for work. The unemployment rate on the island is:
   A) 20.0%.
   B) 25.0%.
   C) 45.0%.
   D) 15.6%.

33. A survey reveals that on a small island initially 1,000 people have jobs, 250 people are looking for jobs, and 450 people are neither working nor looking for work. Suppose that 150 of the 450 people who weren't looking for work now begin looking for work. There are now 400 people looking for work and 1,000 people working. What happens to the unemployment rate?
   A) It falls to 20%.
   B) It rises to 28.6%.
   C) It rises to 50.0%.
   D) Nothing happens to the unemployment rate, because these people weren't working before and they aren't working now.

34. A survey reveals that on a small island 1,000 people have jobs, 200 people are looking for jobs, and 200 people are neither working nor looking for work. The unemployment rate on the island is:
   A) 12.5%.
   B) 16.7%.
   C) 20.0%.
   D) 30.0%.
35. If 99 million people are working and 1 million are unemployed but actively seeking work, then the unemployment rate is ________.
   A) 1%
   B) 5%
   C) 10%
   D) 100%

Use the following to answer questions 36-37:

**Table: Employment**

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time employed</td>
<td>20 million</td>
</tr>
<tr>
<td>Not working but looking for work</td>
<td>2 million</td>
</tr>
<tr>
<td>Part-time employed</td>
<td>10 million</td>
</tr>
<tr>
<td>Discouraged workers</td>
<td>1 million</td>
</tr>
</tbody>
</table>

36. (Table: Employment) The unemployment rate is:
   A) 6.25%.
   B) 6.45%.
   C) 9.09%.
   D) 9.37%.

37. (Table: Employment) The labor force is:
   A) 33 million.
   B) 32 million.
   C) 31 million.
   D) 22 million.

Use the following to answer questions 38-39:

**Table: Labor Force Distribution**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed adults</td>
<td>200 million</td>
</tr>
<tr>
<td>Labor force</td>
<td>208 million</td>
</tr>
<tr>
<td>Unemployed adults</td>
<td>8 million</td>
</tr>
<tr>
<td>Adults not in labor force</td>
<td>30 million</td>
</tr>
<tr>
<td>Non-adults (under 16) population</td>
<td>40 million</td>
</tr>
</tbody>
</table>
38. (Table: Labor Force Distribution) Based on that, total population will be:
   A) 486 million.
   B) 253 million.
   C) 278 million.
   D) 283 million.

39. (Table: Labor Force Distribution) Given the information in the table, the unemployment rate is:
   A) 3.85%.
   B) 10%.
   C) 4.55%.
   D) 6.75%.

40. Which of the following is a chief measure of economic growth over time?
   A) inflation
   B) increases in real per capita GDP
   C) decline in real interest rates
   D) increases in the available labor supply

41. In the popular press we see many pictures of affluent people in Chinese cities. Yet, the average person in China today is poorer than the average person in America was in:
   A) 2000.
   B) 1970.
   C) 1950.
   D) 1907.

42. Economists use real GDP per capita to measure economic growth:
   A) because it is measured by almost all the countries in the world, thus this can be readily used.
   B) because poor nations have larger population size whereas the richer nations are experiencing a decline in their population.
   C) because it represents the inflation adjusted value of a country's production of goods and services corrected for the effects of changes in a country's population.
   D) although the real GNP per capita is a far superior measure of economic growth.
43. From 2007 to 2008 Nation A saw real GDP increase from $100 billion to $106 billion. The population of Nation A also grew from 50 million to 51 million from 2007 to 2008. Based upon this information we can say that:
   A) real GDP per capita increased because the real GDP increased at a slower rate than the population.
   B) real GDP per capita increased because the real GDP increased at a faster rate than the population.
   C) real GDP per capita decreased because the real GDP increased at a slower rate than the population.
   D) real GDP per capita decreased because the real GDP increased at a faster rate than the population.

44. The rule of 70 is most useful in:
   A) identifying the causes of economic growth.
   B) identifying the sources of economic growth.
   C) estimating the productivity of labor.
   D) estimating the doubling time of real GDP for a given growth rate.

45. Suppose a panel of economists is predicting that a nation's real GDP per capita will have an average annual growth rate of 2%. Based upon the Rule of 70, how many years will it take for this nation's real GDP per capita to double?
   A) 35
   B) 70
   C) 140
   D) 20

46. If real GDP grows at an annual rate of 1%, it will double in approximately _______ years.
   A) 11
   B) 23
   C) 35
   D) 70

47. Human capital refers to:
   A) output per worker.
   B) the education and knowledge embodied in the workforce.
   C) society's investment in capital goods.
   D) people working with capital goods.
48. Technological progress allows workers to produce more:
   A) because it increases the amount of physical capital available.
   B) because it increases the amount of human capital available.
   C) even when the amount of physical capital and human capital do not change.
   D) only if the amount of physical capital grows at the same rate.

49. An increase in the amount of physical capital per worker ________, while technological progress ________.
   A) makes the aggregate production function steeper; changes the slope of the aggregate production function
   B) makes the aggregate production function steeper; makes the aggregate production function flatter
   C) moves the economy along the aggregate production function; shifts up the aggregate production function
   D) shifts up the aggregate production function; moves the economy along the aggregate production function

50. An example of physical capital would be:
   A) a truck a company purchases for work.
   B) a worker who physically learns to work on a truck his company buys.
   C) a truck a worker buys for personal use like hunting, going to work, or going to the beach.
   D) a truck a company purchases for work, a worker who physically learns to work on a truck his company buys, or a truck a worker buys for personal use like hunting, going to work, or going to the beach.

51. If technology advances, then:
   A) more output can be obtained from the same inputs.
   B) more inputs are needed to produce the same output.
   C) less output can be obtained from the same inputs.
   D) less can be obtained even with more inputs.

52. Roads, telephone lines, power facilities, and schools are examples of a nation's:
   A) technostucture.
   B) infrastructure.
   C) physiostucture.
   D) sociostructure.
53. Diminishing returns to physical capital means that, when the amount of human capital per worker and the state of technology are held fixed, each increase in the amount of physical capital per worker leads to:
   A) a smaller increase in productivity.
   B) a decrease in productivity.
   C) negative productivity.
   D) losses for stockholders.

54. Long-run economic growth is:
   A) higher in countries when it has a weak rule of law and excessive government intervention.
   B) lower in countries when it has a strong government and independent judiciary.
   C) lower in countries when the courts enforce property rights and a government that protects its citizens.
   D) higher in countries when it has a strong rule of law and political stability.

55. Macroeconomics involves the study of the:
   A) overall behavior of the economy.
   B) individual decision makers in the economy.
   C) different market structures that exist in the economy.
   D) cost and production decisions made by firms.
Answer Key

1. D
2. A
3. C
4. A
5. B
6. C
7. B
8. B
9. D
10. B
11. C
12. D
13. C
14. B
15. B
16. B
17. A
18. B
19. D
20. B
21. B
22. B
23. D
24. B
25. D
26. D
27. C
28. B
29. A
30. B
31. B
32. A
33. B
34. B
35. A
36. A
37. B
38. C
39. A
40. B
41. D
42. C
43. B
44. D
45. A
46. D
47. B
48. C
49. C
50. A
51. A
52. B
53. A
54. D
55. A