1. From year 1 to year 2, suppose the nominal GDP of country A increased from $2000 to $2100, while the price index for the GDP rose from 100 to 120. Nominal GDP changed by ____%, the GDP price index by ____%, and real GDP changed by ____%.

    A. 4, 15, negative 10
    B. 100, 20, positive 80
    C. 5, 20, negative 12.5
    D. 10, 20, negative 10
    E. 5, 20, positive 10

2. Suppose your parent earned $20 an hour in the year 1999 and the same wage in 2000. The Consumer Price Index rose by 3% from 1999 to 2000. The purchasing power of this wage in 2000, expressed in 1999 prices, was:

    A. $14.00
    B. $18.00
    C. $21.60
    D. $19.42
    E. $22.00

3. The Bureau for Economic Analysis (BEA) defines which of the following national income accounting measures as "all net incomes, net of consumption of fixed capital, earned in production," for a particular period of time?

    A. GDP
    B. Personal Income
    C. NNP
    D. National Income
    E. Disposable Income

4. Some national income account measures for country A are given in the table below.

Personal Consumption Expenditures	$8300
Gross Private Domestic Investment	$1900
Exports	$1050
Imports	$1350
Federal Goods and Services Spending	$ 710
State and Local Goods and Services Spending	$1300
Tax Revenues	$1900

What was the Gross Domestic Product of Country A?

A. $16510
B. $14610
C. $15160
D. $13510
E. $11910

5. The best material to use for money has all of the following characteristics except

A. durability
B. portability
C. indivisibility
D. low opportunity cost
E. stable supply and demand

6. "Individuals, both in households and businesses, act according to what they expect to happen in the future, after they consider all available information." This describes what economists call the

A. Logical Behavior theory.
B. Limited Information theory.
C. Keynesian theory.
D. Monetarism theory.
E. Rational Expectations theory.

7. Since the Great Depression, which ended in March 1933, the United States economy has gone through ___ economic recessions. According to the official dates kept by the National Bureau of Economic Research (NBER), the longest recession occurred in the years __________.

   A. 13, 2007-2009
   B. 4, 2007-2009
   C. 6, 1973-1975
   D. 16, 1973-1975
   E. 20, 1969-1971

8. Suppose that people hold all of their money in checkable deposits, banks do not hold excess reserves, and the required reserve ratio is 8%. If the Fed buys $10,000 of bonds from First National Bank, which of the following statements is true?

   A. The money supply will decrease by $80,000, at most.
   B. Banks can make $10,000 of loans, at most.
   C. The money supply could increase by $125,000, at most.
   D. The money supply could increase by $80,000, at most.
   E. First National Bank could initially lend $10,000.

9. All of the following are included in the Conference Board's *Leading Indicators* except

   A. business orders for new machinery.
   B. the stock market index, such as S&P 500.
   C. the overall unemployment rate.
   D. index of consumer expectations.
   E. average weekly hours worked.

10. The aggregate demand curve is downward sloping because of the

   A. substitution effect among goods.
   B. effect of the price level on household wealth.
   C. impact of changes in the money supply.
   D. Giffen good effect.
   E. income effect.

11. Suppose business firm leaders suddenly revise their expectations downwards and believe that a recession is coming. Aggregate demand will

    A. not change. This is an aggregate supply shift only.
    B. shift leftwards as business investment spending adjusts for expected declines in future production.
    C. shift rightwards because businesses will consume more in preparation for future production.
    D. shift leftwards because interest rates will rise.
    E. increase because prices will fall.

12. The country of Econia, an importer of oil, experiences large oil price increases. The most likely outcome is

    A. aggregate demand shifts leftwards as higher prices cause people to cut back.
    B. aggregate demand shifts rightwards as consumers must spend more to maintain prior consumption levels.
    C. short run aggregate supply shifts rightwards as prices of inputs rise.
    D. short run aggregate supply shifts leftwards as the cost of production for many goods rises.
    E. both aggregate supply and demand shift rightwards, leaving the price level indeterminate.

13. Suppose a significant technological advance improves the way credit cards are used for monetary transactions by consumers and investors. This shifts the demand for money; however, the central bank does not change the supply of money. Which of these is a plausible outcome?

    A. The demand for money will increase, and interest rates will fall.
    B. Aggregate supply will shift leftwards.
    C. Aggregate demand will shift leftwards as interest rates fall.
    D. Interest rates and prices will fall.
    E. Interest rates will fall, and investment levels will rise.

14. "There is a short-run aggregate relationship between inflation rates and the rates of unemployment." This statement refers to ____________. The relationship between the two variables is ___________.

    A. Austrian Economics, indirect.
    B. Classical theory, direct
    C. the Phillips Curve, inverse.
    D. Says Law, inverse

E. the Fisher Effect, direct

15. "My income amount went up last year, but I paid the same dollar amount of taxes." This is an example of a(n)

A. proportional tax rate system.
B. regressive tax rate system.
C. progressive tax rate system.
D. ability-to-pay tax rate system.
E. value-added tax rate system.

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ANSWER KEY

1. C
2. D
3. D
4. E
5. C
6. E
7. A
8. C
9. C
10. B
11. B
12. D
13. E
14. C
15. B