MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) The four parts of the business cycle occur in the following order:
   A) expansion, trough, peak, recession.  B) expansion, trough, recession, peak.
   C) recession, trough, peak, expansion.  D) recession, trough, expansion, peak.

2) A recession is popularly defined as occurring when
   A) real GDP decreases for a period of 12 or more months.
   B) the unemployment rate rises above 5.0 percent for 12 or more months.
   C) the unemployment rate rises above 7.5 percent for 6 or more months.
   D) real GDP decreases for a period of 6 or more months.

3) The labor force is defined as people
   A) in the working-age population who have a full time job.
   B) who have a job or are looking for a job.
   C) in the working-age population who have a job.
   D) who are 16 years of age or older.

4) The official unemployment estimates
   A) count discouraged workers as unemployed.
   B) count as unemployed people with part-time jobs who want full-time jobs.
   C) include persons without a job who have made efforts in the last week to find a job.
   D) include persons without a job, whether they are actively searching for work or not.

5) Which of the following would NOT be considered unemployed?
   A) a job leaver who is looking for a better job
   B) an individual fired by her employer
   C) a new entrant to the labor force
   D) a newly retired worker

6) Suppose there are currently 100 people unemployed, 1500 people employed, and 2000 people in the working age population. With this information, the labor force participation rate equals 100 times

7) Discouraged workers are
   A) not considered unemployed because they are not actively seeking work.
   B) not considered unemployed because they are not qualified to work.
   C) considered unemployed because they are not working.
   D) considered unemployed because they are still in the labor force.

8) Unemployment can arise from
   A) people entering or reentering the labor force.
   B) people losing their jobs.
   C) people voluntarily quitting their jobs.
   D) All of the above answers are correct.
9) The average duration of unemployment is high when
   A) more people leave their jobs rather than lose their jobs.
   B) the number of entrants to the labor force exceeds the number of re-entrants.
   C) the economy is at business cycle trough.
   D) the economy is at a business cycle peak.

10) The three types of unemployment are
    A) frictional, part-time, and involuntary.
    B) voluntary, involuntary, and structural.
    C) frictional, structural, and cyclical.
    D) voluntary, part-time, and cyclical.

11) Frictional unemployment comes about because of
    A) a mismatch between skills and available jobs.
    B) normal labor market turnover.
    C) friction between labor and management.
    D) a general economic slowdown.

12) Which statement correctly describes "structural unemployment?"
    A) Structural unemployment occurs even when the economy is at the natural rate of
       unemployment.
    B) The amount of structural unemployment depends on normal labor turnover.
    C) Structural unemployment is also called "frictional unemployment."
    D) Structural unemployment occurs mainly during recessions.

13) The natural rate of unemployment means that there
    A) are no job openings existing at the time.
    B) is less than full employment.
    C) is zero unemployment.
    D) is only frictional or structural unemployment.

14) Cyclical unemployment exists when
    A) real national income exceeds potential income.
    B) real GDP exceeds potential GDP.
    C) real GDP is less than potential GDP.
    D) frictional and structural unemployment is zero.

15) What is measured on the vertical axis of a diagram showing the aggregate supply curve?
    A) real national income
    B) the interest rate
    C) the price level
    D) nominal income

16) The long-run aggregate supply curve is vertical because
    A) there is no cyclical inflation.
    B) potential GDP is independent of the price level.
    C) at full employment prices are stable.
    D) the money wage rate increases faster than the price level.

17) The short-run aggregate supply curve is upward sloping because in the short run the
    A) both the money wage rate and the price level can change.
    B) neither the money wage rate nor the price level can change.
    C) price level can change but the money wage rate can not.
    D) money wage rate can change but the price level can not.
18) If the money wage rate rises, then the
   A) SAS curve shifts leftward.  B) LAS curve shifts rightward.
   C) LAS curve shifts leftward.  D) SAS curve shifts rightward.

19) The AD curve shows the sum of
   A) the price level, employment, and real GDP.
   B) consumption expenditure, investment, the price level, and real GDP.
   C) consumption expenditure, investment, government purchases of goods and services, and net exports.
   D) consumption expenditure, investment, and real GDP.

20) The aggregate demand curve shows that, if other factors are held constant, a
   A) higher price level will result in a decrease in the quantity of real GDP demanded.
   B) higher price level will result in an increase in the quantity of real GDP demanded.
   C) lower price level will result in inflationary conditions.
   D) higher price level will result in a lower interest rate.

21) A movement along the aggregate demand curve but no shift in the aggregate demand curve is created by
   A) a fall in the price level.  B) a change in the quantity of money.
   C) an increase in government purchases.  D) an increase in nominal GDP.

22) According to the wealth effect, when the price level rises and other things remain the same,
   A) real wealth decreases.  B) there is no change in real wealth.
   C) real wealth increases.  D) real consumption expenditure increases.

23) According to the intertemporal substitution effect, when the price level increases, the interest rate
   A) is not affected.
   B) decreases and the quantity of real GDP demanded decreases.
   C) increases and the quantity of real GDP demanded increases.
   D) increases and the quantity of real GDP demanded decreases.

24) Which of the following shifts aggregate demand curve rightward?
   A) a decrease in the money supply and an increase in interest rates
   B) a decrease in government purchases
   C) a cut in personal income taxes
   D) the expectation of a future loss of income

25) The equilibrium level of GDP occurs at the level of GDP at which the
   A) aggregate quantity demanded equals the aggregate quantity supplied.
   B) aggregate demand curve becomes vertical.
   C) unemployment rate is zero.
   D) All of the above answers are correct.
Answer Key
Testname: MACRO QUIZ 2

1) D
2) D
3) B
4) C
5) D
6) A
7) A
8) D
9) C
10) C
11) B
12) A
13) D
14) C
15) C
16) B
17) C
18) A
19) C
20) A
21) A
22) A
23) D
24) C
25) A