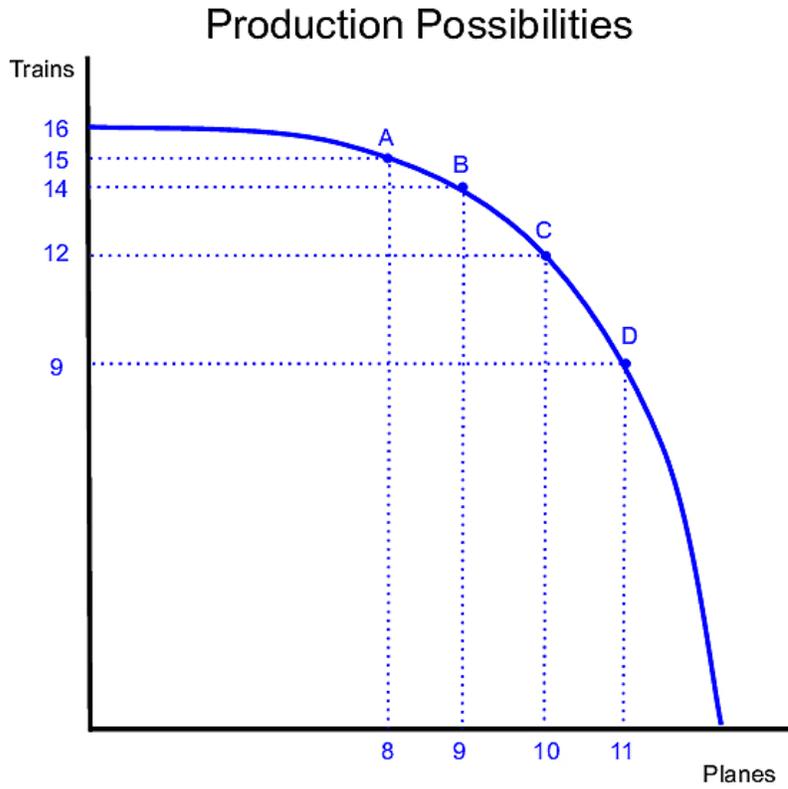


**Multiple-Choice:** 2 points each. Choose the response that best answers each question.

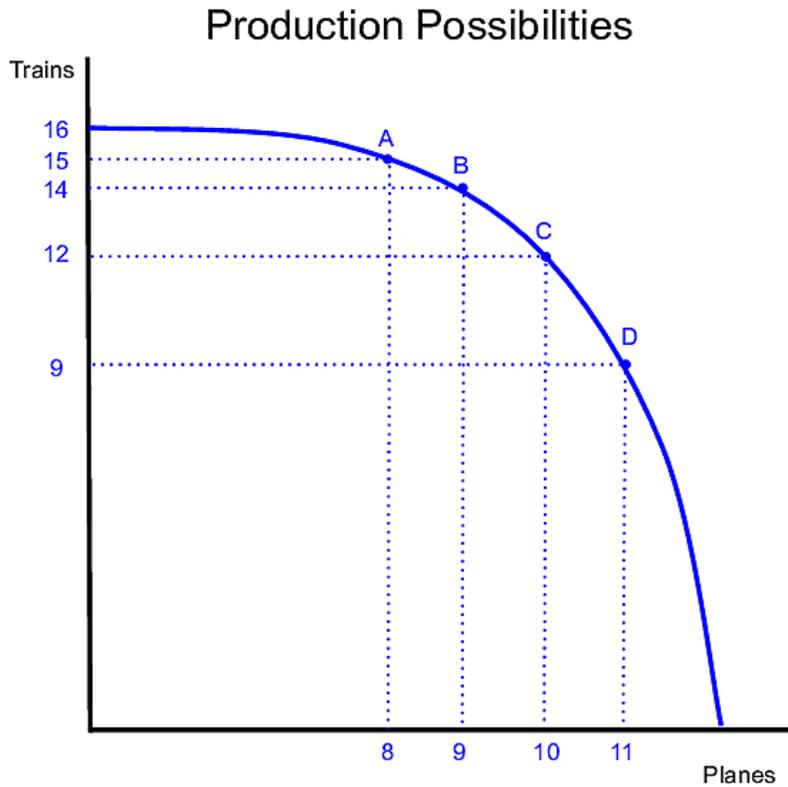
1. Without an increase in the supplies of factors of production, how can a nation achieve economic growth?
  - (a) By increasing the prices of factors of production.
  - (b) Through technological advancement that enables more production with the same quantity of resources.
  - (c) By producing more high-value goods and less low-value goods.
  - (d) By decreasing output of another good it can produce more goods.
  
2. Which of the following would result in an outward shift of the production possibilities frontier?
  - (a) An increase in demand for all goods and services
  - (b) An increase in resources used in the production of goods and services.
  - (c) An increase in prices of all goods and services.
  - (d) A substitution in production that results in the increase in production of one good and a decrease in the production of another good.
  
3. Which of the following is true of an economy with a PPF that is bowed-out?
  - (a) There is decreasing opportunity cost of the X-axis good and increasing opportunity cost of the good on the Y-axis.
  - (b) There is increasing opportunity cost of production for all goods and services.
  - (c) There is increasing opportunity cost of the X-axis good and decreasing opportunity cost of the good on the Y-axis.
  - (d) There is decreasing opportunity cost of production for all goods and services.

4. In the PPF below, what is the opportunity cost of the 9th plane?



- (a) 15 Trains
- (b) 8 Planes
- (c) 1 Train
- (d) 14 Trains

5. Suppose an economy described with the PPF below was producing 9 planes and 9 trains. Which of the following is true?



- (a) The economy can produce more planes and more trains by using its resources more efficiently.
- (b) The economy's PPF must have shifted inward.
- (c) The economy's PPF must have shifted outward.
- (d) The economy can produce more planes, but only with an improvement in technology.
6. Suppose there is an improvement in the technology for producing smartphones. Which of the following should happen in the market?
- (a) Supply shifts to the right, price increases, quantity increases
- (b) Supply shifts to the right, price decreases, quantity increases
- (c) Demand shifts to the right, price decreases, quantity increases
- (d) Supply shifts to the right, price increases, quantity increases

7. Suppose there is an increase in the international price for steel. Which of the following should happen in the market for automobiles (which are made out of steel, among other things)?
- (a) Demand will shift to the left, quantity will decrease and price will decrease.
  - (b) Supply will shift to the left, quantity will decrease, price will decrease.
  - (c) Demand will shift to the left, quantity will decrease and price will increase.
  - (d) Supply will shift to the left, quantity will decrease, price will increase.
8. Suppose there is a large permanent increase in gasoline prices. What would be the impact on the market for automobiles?
- (a) Decrease in supply and an increase in price
  - (b) Decrease in demand and a decrease in price.
  - (c) Decrease in demand and a decrease in supply
  - (d) Decrease in demand and an increase in price
9. Suppose consumers' incomes increase. What would be the impact on the market for automobiles?
- (a) Supply shifts to the right and the price decreases
  - (b) Demand shifts to the right and the supply shifts to the left.
  - (c) Demand shifts to the right and the price increases
  - (d) Demand shifts to the right and supply shifts to the right
10. Suppose consumers expect a decrease in the price of personal tablet devices (i.e. iPad, Android tablets) in the future. What is the impact of the expectation on the market for personal tablets devices today?
- (a) Demand shifts to the right, price decreases, and quantity decreases.
  - (b) Demand shifts to the left, price decreases, and quantity decreases.
  - (c) Demand shifts to the right and the supply shifts to the left.
  - (d) Demand shifts to the right, price increases, and quantity increases.
11. Suppose dairy producers expect an increase in the price of cheese in the future. What is the impact of the expectation on the market for cheese today?
- (a) Demand shifts to the left, price increases, quantity decreases
  - (b) Supply shifts to the left, price increases, quantity decreases
  - (c) Supply shifts to the right, price increases, quantity increases
  - (d) Demand shifts to the left, price increases, quantity decreases

12. If the nominal exchange rate between the American dollar and the Chinese Yuan is 6.79 CNY per 1 USD how many Chinese Yuan are required to buy a product that costs 100 USD?
- (a) 14.73 CNY
  - (b) 6.79 CNY
  - (c) 679 CNY
  - (d) 1473 CNY
13. If the nominal exchange rate between the American dollar and the Chinese Yuan is 6.79 CNY per 1 USD how many American dollars are required to buy a product that costs 100 CNY?
- (a) 14.73 USD
  - (b) 106.79 USD
  - (c) 679 USD
  - (d) 6.67 USD
14. Suppose legal barriers in the United States are reduced to allow more imports of electronic consumer goods produced in Japan. All else remaining equal, this should lead to which of the following?
- (a) An increase in supply of Japanese Yen
  - (b) An decrease in supply of Japanese Yen
  - (c) An increase in supply of U.S. dollars
  - (d) An increase in demand for U.S. dollars
15. Suppose a trade agreement between Canada and Mexico results in higher demand in Canada for goods manufactured in Mexico. All else remaining equal, this should lead to which of the following?
- (a) Decrease in demand for Mexican Peso
  - (b) Decrease in demand for Canadian Dollar
  - (c) Increase in demand for Canadian Dollar
  - (d) Increase in demand for Mexican Peso
16. Suppose financial investors expect a depreciation of the Korean Won against the Japanese Yen. What will be the impact on the market for currency exchange between the Won and Yen?
- (a) The demand for the Korean Won shifts to the right and the demand for the Japanese Yen shifts to the left.
  - (b) The demand for the Korean Won shifts to the left and the demand for the Japanese Yen shifts to the right.
  - (c) The demand for the Korean Won shifts to the right and the demand for the Japanese Yen shifts to the right.
  - (d) The demand for the Korean Won shifts to the left and the demand for the Japanese Yen shifts to the left.

17. Suppose China reduces trade barriers that allow its citizens to import more products from Europe and with lower taxes / tariffs. As a result,
- (a) The Chinese Yuan will depreciate against the Euro.
  - (b) the Euro will depreciate against the Chinese Yuan.
  - (c) both the Euro and Chinese Yuan will appreciate relative to each other.
  - (d) the Chinese Yuan will appreciate against the Euro.
18. Suppose interest rates increase in the Euro area and remain constant everywhere else. Which of the following will happen in the currency exchange market between Euros and U.S. dollars?
- (a) Euro will depreciate / U.S. dollar will depreciate
  - (b) Euro will depreciate / U.S. dollar will appreciate
  - (c) Euro will appreciate / U.S. dollar will not change in value relative to the Euro
  - (d) Euro will appreciate / U.S. dollar will depreciate
19. Nominal GDP is GDP in a given year
- (a) valued in the prices of the base year.
  - (b) adjusted for inflation.
  - (c) valued in the prices of that year.
  - (d) adjusted for anticipated inflation.
20. The GDP deflator is a measure of the
- (a) total production of the economy adjusted for inflation.
  - (b) average level of prices of final goods and services in the economy.
  - (c) average level of prices of intermediate goods and services in the economy.
  - (d) total production of the economy unadjusted for inflation.

21. Suppose an economy produces only oranges and apples and experienced the following quantities and prices:

Apples in 2019: Price = \$1.50 Qty = 20

Oranges in 2019: Price = \$1.00 Qty = 15

Apples in 2020: Price = \$1.75 Qty = 22

Oranges in 2020: Price = \$1.15 Qty = 18

Use 2019 as a base year and compute real GDP for 2020.

(a) \$59.20

(b) \$51

(c) \$45

(d) \$52.25

22. Suppose an economy produces only oranges and apples and experienced the following quantities and prices:

Apples in 2019: Price = \$1.50 Qty = 20

Oranges in 2019: Price = \$1.20 Qty = 15

Apples in 2020: Price = \$1.75 Qty = 22

Oranges in 2020: Price = \$1.50 Qty = 16

Use 2019 as a base year and compute the inflation rate.

(a) 11.2%

(b) 32.8%

(c) 7.6%

(d) 19.5%

23. Structural unemployment can result from which of the following?

(a) A persistent mismatch between the skills and characteristics of workers and the requirements of the jobs.

(b) Normal process of searching for jobs

(c) A slow down of the economy

(d) Rising and falling inflation

24. Suppose the working-age population of a fictional economy can be described as follows:

- 25 people are retired
- 80 have full-time employment
- 15 have part-time employment
- 5 are looking for employment but not currently employed
- 10 would like employment but are not looking for employment because they think no jobs are available

What is the unemployment rate?

- (a) 3.7%
- (b) 5%
- (c) 11.1%
- (d) 13.6%

25. Which one of these people are **not included** in the labor force?

- (a) A person who needs full-time work but can only find part-time work.
- (b) A person who quit their job in order to return to school.
- (c) A person who lost their job during the recession and is looking for work.
- (d) A person who quit their job because they hate it, but they can't find another job.

**Short-answer problem-solving questions:** 5 points each. Answer the questions in the space provided.

26. Suppose the ash from forest fires in Oregon destroys agricultural fields. Describe and illustrate the impact on the equilibrium price and quantity for agricultural products.

27. Suppose a government gives tax rebates to people who buy fuel-efficient compact cars. Describe and illustrate the impact on the equilibrium price and quantity for trucks and SUVs (which are larger and less fuel-efficient).

28. Suppose internet video streaming services become cheaper and at the same time, technological innovations make it less costly for movie theaters to operate. Describe and illustrate the impact on the equilibrium price and quantity of movie theater showings.

29. Suppose weather conditions in spring and summer provided an excellent growing season for tomatoes, while at the same time, new research is reported in the news suggesting tomatoes provide more health benefits than previously thought. Describe and illustrate the impact on the equilibrium price and quantity of tomatoes.
30. Suppose interest rates increase in Russia and Euro area, but the increase is larger in the Euro area. Describe and illustrate the impact on the Russian Ruble (RUR) to Euro (EUR) exchange rate.
31. Suppose incomes decrease in Indonesia and there is no change in incomes in Japan. Describe and illustrate the impact on the Indonesian Rupiah (IDR) to Japanese Yen (JPY) exchange rate.

32. Suppose an economy produces only automobiles and trains and experienced the following quantities and prices:

Automobiles in 2019: Price = \$10,000 Qty = 220

Trains in 2019: Price = \$120,000 Qty = 15

Automobiles in 2020: Price = \$11,000 Qty = 240

Trains in 2020: Price = \$125,000 Qty = 18

Use 2019 as a base year and compute the growth rate of real gross domestic product from 2019-2020.

33. Suppose an economy produces only automobiles and trains and experienced the following quantities and prices:

Automobiles in 2019: Price = \$18,000 Qty = 80

Trains in 2019: Price = \$100,000 Qty = 7

Automobiles in 2020: Price = \$19,000 Qty = 85

Trains in 2020: Price = \$110,000 Qty = 10

Use 2019 as a base year and compute the inflation rate from 2019-2020.

34. Suppose an economy has a working-age population with the following characteristics:

- 15 retired
- 80 employed
- 10 people not working and looking for a job
- 5 people not working, going to school full time instead of looking for work
- 8 people recently laid off, but not looking for work because they think no jobs are available.

What is the labor force participation rate?

35. Suppose an economy has a working-age population with the following characteristics:

- 25 retired
- 175 employed
- 30 people not working and looking for a job
- 35 people not working, going to school full time instead of looking for work
- 15 people recently laid off, but not looking for work because they think no jobs are available.

What is the unemployment rate?