

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

1. Which of the following is true of an economy with a PPF that is bowed-out?
 - (a) There is increasing opportunity cost of production for all goods and services.
 - (b) There is increasing opportunity cost of the X-axis good and decreasing opportunity cost of the good on the Y-axis.
 - (c) There is decreasing opportunity cost of the X-axis good and increasing opportunity cost of the good on the Y-axis.
 - (d) There is decreasing opportunity cost of production for all goods and services.

2. Suppose an economy that produces food and construction and is producing efficiently. Suppose there is an improvement in farming technology. With the new technology, which of the following is true?
 - (a) The economy can produce more food but not more construction.
 - (b) The economy can produce more food and more construction.
 - (c) The economy can produce more construction if it gives up some food production.
 - (d) The economy's production possibilities frontier shifts inward.

3. Suppose a hurricane significantly damages oil refineries in the Gulf of Mexico. What would be the impact on the market for gasoline (gasoline is made from refined oil).
 - (a) Supply shifts to the left, quantity will decrease, price will increase.
 - (b) Demand shifts to the left, quantity decreases and price decreases
 - (c) Supply shifts to the right, price decreases, quantity increases
 - (d) Demand shifts to the left, quantity decreases and price increases

4. 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 increases, and quantity increases.
 - (b) Demand shifts to the right and the supply shifts to the left.
 - (c) Demand shifts to the left, price decreases, and quantity decreases.
 - (d) Demand shifts to the right, price decreases, and quantity decreases.

5. 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) 679 USD
 - (b) 106.79 USD
 - (c) 14.73 USD
 - (d) 6.67 USD
6. 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 Canadian Dollar
 - (b) Increase in demand for Canadian Dollar
 - (c) Decrease in demand for Mexican Peso
 - (d) Increase in demand for Mexican Peso
7. 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 left and the demand for the Japanese Yen shifts to the right.
 - (b) The demand for the Korean Won shifts to the right and the demand for the Japanese Yen shifts to the right.
 - (c) The demand for the Korean Won shifts to the left and the demand for the Japanese Yen shifts to the left.
 - (d) The demand for the Korean Won shifts to the right and the demand for the Japanese Yen shifts to the left.
8. Which of the following macroeconomic measures could be used to compute inflation?
- (a) Labor force
 - (b) GDP deflator
 - (c) Nominal GDP
 - (d) Real GDP
9. Among the following macroeconomic measures, which is the best measure for the total amount of income earned in a country to be compared across multiple years?
- (a) Nominal GDP
 - (b) Real GDP
 - (c) GDP deflator
 - (d) Consumer price index

10. Suppose the working-age population of a fictional economy can be described as follows:
- 20 people are retired
 - 70 have full-time employment
 - 30 have part-time employment
 - 15 are looking for employment but not currently employed
 - 18 would like employment but are not looking for employment because they think no jobs are available
- What is the unemployment rate?
- (a) 13%
 - (b) 9.8%
 - (c) 24.8%
 - (d) 21.6%
11. Suppose a new government rule reduces the qualifications necessary to be certified to teach in public elementary schools. Which of the following would happen in the labor market for public school teachers?
- (a) Decrease in labor supply
 - (b) Decrease in labor demand
 - (c) Increase in labor demand
 - (d) Increase in labor supply
12. Suppose there is a decrease in demand in Europe for U.S. produced automobiles. What would we expect to happen in the market for labor in the U.S. automotive industry?
- (a) Increase in labor demand
 - (b) Decrease in labor supply
 - (c) Decrease in labor demand
 - (d) Increase in labor supply
13. Suppose there is an increase in demand for college education, with more high school graduates deciding to go to college full time. What would be the immediate effect on the labor market?
- (a) Increase in labor demand / Increase in equilibrium wage
 - (b) Decrease in labor supply / Increase in equilibrium wage
 - (c) Decrease in labor supply / Decrease in equilibrium wage
 - (d) Decrease in labor demand / Increase in equilibrium wage

14. From 1950 to 2000, changes in attitudes and culture in the United States led to an increase in the labor force participation rate for females from 34% to 60%. In the labor market, this would cause which of the following?
- (a) An increase in labor demand and decrease in equilibrium wage
 - (b) An increase in labor supply and decrease in equilibrium wage
 - (c) An increase in labor demand and increase in equilibrium wage
 - (d) An increase in labor supply and increase in equilibrium wage
15. Suppose a government tariff policy resulted in fewer imports, more exports, and therefore a smaller trade deficit. What would be the impact on the market for loanable funds?
- (a) Decrease in investment demand and a decrease in equilibrium interest rates.
 - (b) Decrease in saving supply and a decrease in equilibrium investment.
 - (c) Increase in saving supply and an increase in equilibrium investment.
 - (d) Decrease in saving supply and no change equilibrium investment.
16. Suppose there is a decrease in global energy costs which makes it more productive to use capital to produce goods and services. What would be the impact on the market for loanable funds?
- (a) Rightward shift in investment demand and a leftward shift in saving supply
 - (b) Decrease in investment demand
 - (c) Rightward shift in investment demand
 - (d) Rightward shift in investment demand and saving supply
17. Which of the following best describes China's economic status and growth during the last two decades?
- (a) A lesser-developed country with a low rate of economic growth.
 - (b) A highly-developed country with a low rate of economic growth.
 - (c) A highly-developed country with a high rate of economic growth.
 - (d) A lesser-developed country with a high rate of economic growth.
18. Which of the following causes an upward pivot of the productivity curve?
- (a) An increase in labor supply
 - (b) An increase in the interest rate
 - (c) An increase in worker training
 - (d) An increase in physical capital

19. Suppose interest rates increase. Which of the following changes in expenditure plans are likely as a result?
- (a) Increase in exports
 - (b) Increase in real GDP
 - (c) Increase in investment
 - (d) Decrease in consumption
20. Suppose there is an unexpected decrease in business inventories. What will be the impact on inventory investment?
- (a) Inventory investment may increase or decrease
 - (b) Inventory investment spending decreases
 - (c) Inventory investment will only change when inventories are gone
 - (d) Inventory investment spending increases
21. Suppose when consumers receive \$300 of additional income, consumption spending increases by \$250 and import spending increases by \$50. What is the expenditure multiplier?
- (a) 1
 - (b) 3
 - (c) 0.167
 - (d) 0.33
22. How does an increase in expenditures by federal and state governments on vaccines affect government spending and aggregate demand?
- (a) Government spending increases and aggregate demand shifts to the left.
 - (b) Government spending increases and aggregate demand does not change.
 - (c) Government spending increases and aggregate demand shifts to the right.
 - (d) Government spending decreases and aggregate demand shifts to the right.
23. Which of the following results in a leftward shift in real money demand?
- (a) Increase in income
 - (b) Decrease in the interest rate
 - (c) Increase in the interest rate
 - (d) Improvement in financial technology

24. Which of the following monetary policies lead to an increase in the interest rate?
- (a) Decrease in money supply
 - (b) Increase in money supply
 - (c) Increase in taxes
 - (d) Decrease in government expenditures
25. Suppose consumers decide to decrease their expenditures on imports. All other things remaining the same, what is the impact on the market for final goods and services?
- (a) Aggregate supply shifts to the right and real GDP increases.
 - (b) Aggregate demand shifts to the left and real GDP decreases.
 - (c) Aggregate demand shifts to the right and real GDP increases.
 - (d) Aggregate supply shifts to the left and real GDP decreases.

Short-Answer Problem-Solving Questions: 5 points each. Write your answer in the space provided. The instruction to "illustrate" means use a graphical economics model. The instruction to "describe" means to give a short explanation for any changes in the model (i.e. a shifting curve), and describe the final result.

26. Walmart sells inferior goods, such as inexpensive off-brand clothing, generic brand food, etc. Describe and illustrate the market on inferior goods when an economic expansion results in higher incomes and lower unemployment.

27. Suppose interest rates decrease in Brazil and Argentina, but the decrease is smaller in Argentina. Describe and illustrate the impact on the Brazilian *Real* (BRL) to Argentine Peso (ARS) exchange rate.

28. Suppose there is an improvement in computer technology that makes workers more productive. Describe and illustrate the impact on the equilibrium wage and employment.

29. Suppose a government increases its spending on infrastructure such as roads, electrical lines, and communications infrastructure, all of which make business more productive. Suppose the government does this while keeping tax revenues the same. Describe and illustrate the impact on the equilibrium interest rate and level of investment.
30. Suppose federal and state governments increase spending on routine health care services which have been shown to improve health outcomes for most adults. Describe and illustrate the impact on the long-run output per worker for a country.
31. Suppose the economy is in recession, where real GDP is currently \$22 trillion and potential GDP is \$24 trillion. The government would like to pass a stimulus package to increase real GDP back to potential GDP. The marginal propensity to consume is 0.90 and the marginal propensity to import is 0.15. How much should the increase in government expenditures be?

32. Suppose the economy is at the long-run equilibrium when there is an increase in global energy prices. Describe and illustrate the *short-run* impact on equilibrium real GDP and price level.
33. Suppose the economy is initially at the long-run equilibrium when there is a decrease in government expenditures. Describe and illustrate *both* the *short-run and long-run* effects on equilibrium real GDP and price level.
34. Suppose the economy is initially at the long-run equilibrium when the Fed decides to print more money. Describe and illustrate the *short-run* effects on the equilibrium interest rate, real GDP, and price level.