

**Principles of Macroeconomics
Homework Assignment 7
Answer Sheet**

Name _____ Class Day/Time _____

Questions of this homework are in the next few pages. Please find the answer of the questions and fill in the blanks below. Turn in this answer sheet on the due date in class. Keep the remaining pages to study.

1. _____

11. _____

2. _____

12. _____

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20. _____

Principles of Macroeconomics Homework 7

Name _____

Multiple Choice

- _____ 1. A short period of falling real GDP and income with rising unemployment is called a/an
- recession.
 - depression.
 - expansion.
 - business cycle.
- _____ 2. During recessions
- workers are laid off.
 - factories are idle.
 - firms may find they are unable to sell all they produce.
 - all of the above are correct.
- _____ 3. Which of the following is the best indicator for tracking the change in standard of living?
- nominal GDP per capita
 - nominal GDP
 - real GDP per capita
 - real GDP
- _____ 4. Which of the following is correct about the U.S economy operating in full employment?
- GDP growth rate is 2% or higher per year; unemployment rate is close to 0%; inflation rate is about 0%.
 - GDP growth rate is 2% or higher per year; unemployment rate is about 5%; inflation rate is 2-3%.
 - GDP growth rate is higher than 10% per year; unemployment rate is about 0%; inflation rate is 0%.
 - GDP growth rate is about 20% per year; unemployment rate is about 0%; inflation rate is 2%.
- _____ 5. Mexico's average real GDP per capita growth rate is 4% per year in recent years. Use Rule of 70 to estimate how many years it would take for its real GDP per capita to double.
- about 50 years
 - about 175 years
 - about 1750 years
 - about 17.5 years
- _____ 6. Which of the following would most likely cause long run economic growth?
- political events such as war
 - total spending
 - labor productivity
 - all of the above
- _____ 7. The actual GDP was \$11,522 billion and the potential GDP was \$12,040 billion in 2008. What was the GDP gap?
- \$518 billion
 - \$518 billion
 - 4.4957%
 - 4.4957%

- ___ 8. Growth trend is
- the upward part of the business cycle including the peak.
 - the downward part of the business cycle.
 - the reoccurring and non-periodic fluctuations in business activities.
 - a long-run expansion or contraction of an economy's business activities.
- ___ 9. Which of the following is NOT considered as a cause of economic fluctuation?
- inflation.
 - total spending.
 - war.
 - innovation.
- ___ 10. Maria purchased her first cell phone in 2005. Since the contract of her 1st cell expired, she purchased another cell phone in 2008.
- The purchases of both cell phones are primary demand.
 - The purchases of both cell phones are secondary demand.
 - The purchase of first cell phone is primary demand and the purchase of second cell phone is secondary demand.
 - The purchase of first cell phone is secondary demand and the purchase of second cell phone is primary demand.
- ___ 11. The economic expansion during 1921 – 1929 is called
- the pre-Great Depression.
 - the Roaring 20s.
 - the Great Recession.
 - the Great Depression.
- ___ 12. Stagflation refers to
- high inflation, and high unemployment.
 - high inflation, and low unemployment.
 - low inflation, and high unemployment.
 - low inflation, and low unemployment.
- ___ 13. The U.S. economy experienced stagflation during
- 1929 - 1933.
 - 1973 - 1975 and 1979 - 1982.
 - 1920 - 1929.
 - 1992 - 2000.
- ___ 14. The major economic problem(s) during a recession is (are)
- No economic problems.
 - High inflation.
 - High unemployment rate, high inflation, and decreasing income and real GDP.
 - High unemployment rate and decreasing income and real GDP.
- ___ 15. The major economic problem(s) during an overheating economy is (are)
- High unemployment rate and decreasing income and real GDP.
 - High unemployment rate, high inflation, and decreasing income and real GDP.
 - High inflation.
 - No economic problems.
- ___ 16. The major economic problem(s) during a stagflation is (are)
- high unemployment rate and decreasing income and real GDP.
 - high unemployment rate, high inflation, and decreasing income and real GDP.
 - high inflation.
 - no economic problems.

- _____ 17. The major economic problem(s) during a full employment and stable growth is (are)
 - a. high unemployment rate and decreasing income and real GDP.
 - b. high inflation.
 - c. high unemployment rate, high inflation, and decreasing income and real GDP.
 - d. none of the above. There is no major economic problem in full employment time.
- _____ 18. The U.S. economy experienced overheating during
 - a. 1929 – 1933 and 1991.
 - b. 1920's, 1992 - 2000, and 2002 - 2007.
 - c. 1940s and 1962 – 1969.
 - d. 1974 – 1976, and 1980 – 1982.
- _____ 19. Over the past 200 years, the U.S. economy
 - a. has not been growing most of the time.
 - b. has suffered from hyperinflation many times.
 - c. has declined with many recessions.
 - d. is growth oriented.
- _____ 20. The New Economy from 1992 – 2000 is an example of
 - a. stagflation.
 - b. overheating.
 - c. recession.
 - d. full employment/stable growth.