# Econ 203 Test 2 (Make sure to put your name on your scantron)

1. Currently, the unemployment rate in the U.S. is closest to which of the following figures?

a. 10.0% b. 8.0%

c. 9.0% d. 6.0%

2. Nominal or Current Dollar GDP for the U. is currently closest to which of the following figures?

a. $5 trillion b. $15 trillion

c. $25 trillion d. $40 trillion

3. For the most recent quarterly data on the growth rate of real GDP, the figure is closest to

a. 1.0% b. 3.0%

c. 6.0% d. -2.0%

4. A monthly growth of rate for the CPI of 1% converted to annualized figures would be

a. 0.4% b. 1.2%

c. 6.0% d. 12.0%

5. One of the charts in the CEE article on the CPI indicates that the CPI

a. includes about 1000 different price categories

b. adjusts for quality at a rate of about 1% per year for all goods and services

c. has increased most years since 1960

d. none of the above

6. Which of the following terms is equivalent to a “constant dollar” amount

a. an annualized figure b. a nominal figure

c. an inflation-adjusted d. a baseline figure

7. In class, we discussed at some length the CPI and quality of goods and services. One key point of this discussion was

a. the large improvements in healthcare quality are not incorporated into the CPI

b. the large improvements in consumer electronics quality are not incorporated into the CPI

c. the large improvements in food availability are not incorporated into the CPI

d. all of the above

8. Nominal GDP is roughly equivalent to

a. national net worth b. inflation adjusted GDP

c. national income d. the CPI

9. What is a strength of the GDP Implicit Price Deflator over the CPI?

a. frequency of measurement

b. number of items included

c. ability to fully account for quality changes

d. technical ability of individuals involved in its computation

10. Which of the following makes up National Net Worth?

a. assets such as housing, property minus liabilities such as loans

b. consumption + investment + government spending + net exports

c. GDP converted to constant dollar values

d. total national income minus the value of loans

11. In inflation adjusted terms, the highest grossing film of all time is

a. Avatar b. Titanic

c. Gone with the Wind d. Star Wars Episode IV (1977)

Use the following information for the questions below:

**Year CPI**   
1939 14

1983 100

2000 172

2005 212

2011 224

12. The 1939 film The Wizard of Oz made about $18 million at the box office. This amount converted to 2005 constant dollars would be about

a. $36 million b. $99 million

c. $180 million d. $272 million

13. The inflation rate between 1983 and 2000 would be

a. 100% b. 42%

c. 72% d. 28%

14. The Dallas Fed article shows that Big Mac PPP holds more closely in the Dallas area and Texas than across the US or across nations. The primary reason for this is that across the US or across nations

a. wheat is not widely tradeable

b. rent/land and wages/labor are not easily transportable

c. there are wider variations in how much people like Big Macs

d. McDonalds started in Texas and keeps prices lower there

15. Select the item below most likely to closely reflect purchasing power parity

a. gold prices in London, NYC, and Tokyo

b. Big Macs across different countries

c. physician services

d. all of the above are about equal

16. In class we looked at data from the 1975 Sears Catalogue in comparison to 2006 data as an alternative to income or price level comparisons over time. We compared

a. prices of several items in 1975 to their 2006 prices

b. the variety of products available in certain categories in 1975 to variety available in 2006

c. labor hours needed to purchase similar items in 1975 and 2006

d. the ratio of prices of related goods (like fridges and freezers) in 1975 and 2006

**CURRENCY VALUE**

EUR-USD 1.4

GBP-USD 1.5

USD-JPY 75.0

AUD-USD 0.99

USD-CAD 0.98

17. The table above in terms of Japanese Yen (JPY) and US Dollars (USD)

a. displays the amount of Yen per Dollar

b. means that a person will receive 75 Dollars for each Yen

c. shows that the Yen is more valuable than the Dollar

d. shows that Japan does not have PPP with the U.S.

18. On the HGTV show, House Hunters International, a woman purchased a condo in France for 200,000 Euros. Converted to dollars at the exchange rates above, this would be about

a. $140,000 b. $280,000

c. $330,000 d. $400,000

19. When the CPI increases in value from 100 to 200, this means that

a. each dollar will purchase less

b. the value of each dollar has been reduced by about half

c. there is a positive rate of inflation

d. all of the above

20. The CEE article on the CPI indicates that the largest weight for the index applies to

a. food and beverage expenditures

b. healthcare expenditures

c. transportation expenditures

d. none of the above

21. A natural disaster, such as Hurricane Katrina,

a. destroys valuable assets and lowers wealth in spite of rebuilding construction activities

Answers: 1c, 2b, 3a, 4d, 5c, 6c, 7d, 8c, 9a or b, 10a, 11c, 12d, 13c, 14b, 15a, 16c, 17a, 18b, 19d, 20d, 21a