# 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. $55 trillion b. $31 trillion

c. $21 trillion d. $15 trillion

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

a. 3.0% b. 1.0%

c. 6.0% d. 0.0%

4. A monthly growth of rate for the CPI of 0.1% converted to annualized figures would be

a. 0.4% b. 1.2%

c. 6.0% d. 12.0%

5. The CPI

a. computes the average of a group of prices where each item receives equal weight

b. probably overstates price increases due to not taking account of quality or new items very well

c. has increased almost every year since 1900

d. all of the above

6. Which of the following terms is equivalent to an “inflation-adjusted” amount

a. an annualized figure b. a nominal figure

c. a constant dollar figure d. a baseline figure

7. For which good is PPP likely to be observed across countries

a. gold b. wheat

c. crude oil 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

2009 214

2010 217

12. The 2009 film Avatar made about $800 million in U.S. box office. This amount converted to 2005 constant dollars would be about

a. $642 million b. $1.0 billion

c. $510 million d. $1.3 billion

13. The inflation rate between 1983 and 2000 would be

a. 100% b. 42%

c. 72% d. 28%

14. Select the item below least likely to closely reflect purchasing power parity

a. Big Macs across the Dallas metro area

b. an ounce of silver across different countries

c. Big Macs across different countries

d. a barrel of West Texas Intermediate crude oil in oil producing and non-oil producing countries

15. In class, as an alternative to income or price level comparisons over time, we considered how many labor hours were required to purchase a basic table saw or lawn mower in 1975 and in 2006. This comparison made use of

a. Sears Catalogue data b. Ebay auction data

c. US Census data d. none of the above

16. Which of the following is true about worldwide foreign currency markets?

a. about $300 billion per day is traded

b. the value of a currency is determined by its supply and demand relative to that for another currency

c. about half of all trades involve movement into or out of dollars

d. none of the above

**CURRENCY VALUE CHANGE % CHANGE DATE/TIME**

EUR-USD 1.3482 -0.0005 -0.0358% 10:07

GBP-USD 1.6014 -0.0112 -0.6965% 10:07

USD-JPY 83.8850 0.1187 0.1418% 10:07

AUD-USD 0.9977 0.0013 0.1315% 10:06

USD-CAD 0.9878 -0.0020 -0.2021% 10:07

USD-CHF 0.9709 0.0038 0.3885% 10:06

17. The table above in terms of Euros (EUR) and US Dollars

a. is expressed in terms of Dollars per Euro

b. means that 1 dollar can purchase 1.34 Euros

c. shows that the Euro became more valuable relative to the dollar on this day

d. shows that the Euro does not have purchasing power parity with the dollar

18. On the HGTV show, House Hunters International, a man purchased a condo in Japan for 40 million Yen (JPY). Converted to dollars at the exchange rates above, this would be about

a. $120,000 b. $238,000

c. $480,000 d. $332,000

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

a. the supply of or demand for dollars has changed

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

c. their is a positive rate of inflation

d. all of the above

20. A natural disaster, such as Hurricane Katrina,

a. ultimately helps the economy grow by stimulating construction spending

b. is an example of creative destruction

c. increases the value of the dollar relative to other currencies

d. none of the above

21. The Dallas Fed article on Big Mac Prices and PPP showed

a. that Big Mac prices varied more across Dallas than across the rest of Texas

b. that Big Mac prices varied more across the U.S. than across Texas

c. that Big Mac prices varied more across the U.S. than across the world

d. none of the above

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