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

1. Nominal GDP for the U.S. is currently closest to which of the following figures?

a. $35 trillion b. $25 trillion

c. $15 trillion d. $5 trillion

2. A equivalent term for “Nominal GDP” is

a. current dollar GDP b. real GDP

c. inflation-adjusted GDP d. none of the above

3. Which of the following is a wealth-based measure rather than income-based?

a. Real GDP b. National Net Worth

c. Unemployment Rate d. all of the above

4. Although often less discussed in basic economics courses, wealth-based measures are important because

a. they tend to be more closely correlated with consumption than are short run income measures

b. they tend to be much more volatile than short run income measures

c. they tend to be estimated for a wider variety of countries than income measures

d. they are easier to measure than income measures

5. A quarterly growth of rate for real GDP of 1% converted to annualized figures would be

a. 1% b. 2%

c. 4% d. 12.0%

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

a. attempts to measure the cost of living

b. places equal weight on all goods and services

c. has held very steady for the past three decades

d. none of the above

7. The Dallas Fed article discusses the explanation for different prices for some goods across countries developed by two economists, Balassa and Samuelson. Their explanation, in terms of Big Mac prices, boils down to

a. rich countries have higher wages and rents and pay more for Big Macs

b. poor countries have lower demand for items like Big Macs

c. the cost of shipping beef is higher in low income countries

d. McDonald’s interest in helping individuals in poor countries

8. 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

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. In nominal terms, the highest grossing film of all time is

a. Avatar b. Titanic

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

**CURRENCY VALUE**

EUR-USD 1.3

GBP-USD 1.5

USD-JPY 75.0

AUD-USD 0.99

USD-CAD 0.98

11. The table above in terms of British Pound (GBP) and US Dollars (USD)

a. displays the amount of Dollars per Pound

b. means that a person will receive 1.5 Pounds per Dollar

c. shows that the Dolars are more valuable than Pounds

d. none of the above

12. On the HGTV show, House Hunters International, a family purchased a house in France for 1,000,000 Euros. Converted to dollars at the exchange rates above, this would be about

a. $1,000,000 b. $760,000

c. $1,300,000 d. $350,000

13. Suppose a Japanese citizen were visiting the U.S. and converted $1000 Yen to dollars. At the exchange rates above, the person would receive about

a. $750 b. $7500

c. $63 d. $13

Use the following information for the questions below:

**Year CPI**
1939 14

1983 100

2000 172

2005 200

2012 225

14. The 1983 filme, Return of the Jedi, made about $475 million at the box office. This amount converted to 2005 constant dollars would be about

a. $475 million b. $237 million

c. $950 million d. $4750 million

15. The inflation rate between 2012 and 2005 would be

a. 10% b. 12.5%

c. 42.5% d. 125%

16. The CPI numbers above indicate that

a. a dollar was worth about half as much in 2005 than in 1983

b. 2005 prices were about half as high as 1983 prices

c. an hour of work resulted in more purchasing power in 1939 than in 2000

d. all of the above

17. Select the item below most least to closely reflect purchasing power parity

a. gold prices in London, NYC, and Tokyo

b. crude oil prices in Kansas City, Munich, and Moscow

c. physician services in Paris, Chicago, and Sydney

d. all of the above are about equal

18. 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

19. 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%

20. The long run average for the annual increase in real GDP is about

a. 1% b. 3%

c. 5% d. 10%

21. Put A for your answer

Correct Answer:

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