Instructions:

This is the on-line Multiple Choice Quiz for Chapter 5. Please do the following:

Step 1: Go to the special codes section on your score sheet

- Write your section number (1, or 4, or 5) under the letter K. Also fill out the appropriate bubble corresponding to your section number in column K.
- Go to the columns O and P. Enter for this chapter, 0 in the O column, and 5 in the P column. Also fill out the appropriate bubbles below in columns O and P.

Step 2: Enter your university identification number, using numbers and corresponding bubbles.

Step 3: Enter your name, using letters and corresponding bubbles.

Step 4: Answer all 35 questions.

Step 5: Check the important dates link on the class home page for the availability and closing dates for the successive on-line multiple choice quizzes.

Step 6: Hand in your score sheets in class, to your TA’s or to myself, in class, or outside my office, Heady Hall 281, no later than the posted closing date and hour (5 p.m.)

We will use the following grading scale:

- A = 35, 34, 33, 32, 31, 30
- B = 29, 28, 27, 26, 25, 24
- C = 23, 22, 21, 20, 19, 18
- D = 17, 16, 15, 14, 13, 12
- F = less than 12

Note: All MC quizzes will be discussed in detail in class for each section (1, 4, or 5) prior to the posted Friday 5 p.m. closing date and hour. Bring your printed test and score sheet to that class session for that purpose.
MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) A business cycle is the
   A) cyclical movement in the interest rates.
   B) increase in consumer spending that accompanies an increase in disposable income.
   C) pattern of short-run upward and downward movements in production and jobs.
   D) cyclical change in the nation's balance of trade.

2) A popular working definition of a recession is
   A) a period during which real GDP decreases for at least two successive quarters.
   B) a period during which real GDP increases for at least two successive quarters.
   C) the lower turning point of a business cycle.
   D) the upper turning point of a business cycle.

3) A trough is the
   A) upper turning point of a business cycle when a recession begins.
   B) lower turning point of a business cycle when an expansion begins.
   C) lower turning point of a business cycle when a recession begins.
   D) upper turning point of a business cycle when an expansion begins.

4) Recessions
   A) have not occurred in the United States after 1963.
   B) begin at the trough of the business cycle.
   C) end at the peak of the business cycle.
   D) are an economy-wide decrease in the level of economic activity.
5) In the above figure, a trough is at point ______ and a peak is at point ______.
   A) b; a 
   B) a; b 
   C) c; d 
   D) b; c

6) The working-age population is defined as the number of
   A) people who have a job.
   B) people looking for work.
   C) people working full-time jobs who are over the age of 16.
   D) people over the age of 16 who are not in jail, hospital, or other institution.

7) The working-age population can be divided into two groups,
   A) people in the labor force and people looking for work.
   B) people in the labor force and people with a job.
   C) people in the labor force and people who are not in the labor force.
   D) people looking for work and those in the armed forces.

8) The labor force is the sum of
   A) the number of employed people and the working-age population.
   B) the total population and the number of unemployed people.
   C) the working-age population and the number of unemployed people.
   D) the number of employed people and the number of unemployed people.

9) Unemployment as measured includes the total number of people who
   A) have jobs or are currently looking for jobs.
   B) would like to have a full-time job but are working part-time.
   C) would like to have a job but have stopped seeking work.
   D) are available and looking for work but unable to find employment.
10) Which of the following people would NOT be counted as unemployed in the Current Population Survey?
   A) The person has no job and has made an effort to find work in the last four weeks.
   B) The person is waiting to start a new job in thirty days.
   C) The person is without a job and is making no effort to find work.
   D) The person is awaiting recall to a job after being laid off.

11) The unemployment rate is calculated as 100 times
   A) [(unemployment)/(labor force)].  
   B) [(labor force)/(population)].
   C) [(unemployment)/(population)].  
   D) [(labor force)/(unemployment)].

<table>
<thead>
<tr>
<th>Total population (millions)</th>
<th>Currently employed (millions)</th>
<th>Not working and looking for work (millions)</th>
<th>Want to work but no longer looking for work (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>80</td>
<td>40</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>

12) In the table above, the size of the labor force is
   A) 46 million.  
   B) 80 million.  
   C) 42 million.  
   D) 40 million.

13) In the table above, the number of people officially unemployed is
   A) 4 million.  
   B) 6 million.  
   C) 2 million.  
   D) 40 million.

14) In the table above, the unemployment rate is
   A) 10 percent.  
   B) 15 percent.  
   C) 50 percent.  
   D) 5 percent.

15) The labor force participation rate is calculated as the
   A) labor force divided by the unemployment rate then multiplied by 100.
   B) number of persons unemployed divided by the labor force then multiplied by 100.
   C) labor force divided by the working-age population then multiplied by 100.
   D) labor force divided by the number of persons employed then multiplied by 100.

16) If the labor force participation rate is rising and the working-age population is not changing, then the
   A) size of the labor force is falling.
   B) size of the labor force is rising.
   C) number of unemployed people is rising and the size of the labor force is falling.
   D) number of unemployed people is falling and the size of the labor force is rising.

17) The employment-to-population ratio is the ratio of the number of
   A) (unemployed people divided by the working age population) multiplied by 100.
   B) (employed people divided by the working-age population) multiplied by 100.
   C) (employed people divided by the total population) multiplied by 100.
   D) (unemployed people divided by the total population) multiplied by 100.
<table>
<thead>
<tr>
<th>Category</th>
<th>Number (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discouraged workers</td>
<td>15</td>
</tr>
<tr>
<td>Unemployed workers</td>
<td>40</td>
</tr>
<tr>
<td>Employed workers</td>
<td>100</td>
</tr>
<tr>
<td>Population (16 years and over)</td>
<td>225</td>
</tr>
</tbody>
</table>

18) In the above table, the working age population is
   A) 225 million.  B) 155 million.  C) 140 million.  D) 100 million.

19) In the above table, the size of the labor force is
   A) 100 million.  B) 140 million.  C) 155 million.  D) 210 million.

20) In the above table, the unemployment rate is
   A) 29 percent.  B) 6 percent.  C) 18 percent.  D) 24 percent.

21) In the above table, the labor force participation rate is
   A) 62 percent.  B) 55 percent.  C) 44 percent.  D) 69 percent.

22) In the above table, the employment-to-population ratio is
   A) 62 percent.  B) 44 percent.  C) 51 percent.  D) 42 percent.

23) Aggregate hours
   A) are the total number of hours worked by people holding full-time jobs.
   B) are the total number of hours worked by all people age 21 and over.
   C) have decreased over the last thirty years.
   D) are the total number of hours worked by all people employed.

24) The money wage rate is the same as
   A) real disposable income.  B) the number of dollars per hour of work.
   C) the real wage rate.  D) the dollar wage in 1992 dollars.

25) The real wage rate
   A) has decreased over the past 10 years regardless of which measure is used.
   B) has increased or remained about constant over the last 30 years, depending on the measure used.
   C) has increased substantially over the past 30 years regardless of which measure is used.
   D) includes only the actual salary paid and not the fringe benefits.

26) Most unemployed people are unemployed because they are
   A) job losers.  B) new entrants into the labor force.
   C) reentrants into the labor force.  D) job leavers.

27) Which of the following groups has the highest unemployment rate?
   A) Blacks, 20 years of age or older  B) white teenagers
   C) Whites, 20 years of age or older  D) black teenagers
28) Frictional unemployment
   A) includes discouraged workers.
   B) is unemployment associated with declining industries.
   C) is unemployment associated with the changing of jobs in a changing economy.
   D) is voluntary part-time unemployment.

29) Structural unemployment is the result of
   A) a slowdown in the rate of economic expansion.   B) normal labor market turnover.
   C) irresponsible workers with poor work habits.   D) technological change or foreign competition.

30) Cyclical unemployment _______ during expansions and _______ during recessions.
   A) decreases; decreases  B) increases; decreases
   C) increases; increases  D) decreases; increases

31) Full employment occurs when
   A) frictional unemployment is zero.   B) cyclical unemployment is zero.
   C) structural unemployment is zero.   D) cyclical and frictional unemployment are zero.

32) When the economy moves into and out of recessions and expansions, the unemployment rate fluctuates around the
   A) natural rate of unemployment.   B) structural unemployment rate.
   C) frictional unemployment rate.   D) cyclical unemployment rate.

33) The consumer price index (CPI)
   A) measures the increase in the prices of the goods included in GDP.
   B) compares the cost in the current period to the cost in a reference base period of a basket of goods typically consumed in the base period.
   C) compares the cost of the typical basket of goods consumed in period 1 to the cost of a basket of goods typically consumed in period 2.
   D) is the ratio of the average price of a typical market basket of goods to the cost of producing those goods.

<table>
<thead>
<tr>
<th>Period</th>
<th>Price index</th>
<th>Inflation rate (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>117</td>
<td>A</td>
</tr>
<tr>
<td>3</td>
<td>125</td>
<td>B</td>
</tr>
<tr>
<td>4</td>
<td>120</td>
<td>C</td>
</tr>
<tr>
<td>5</td>
<td>D</td>
<td>8.3</td>
</tr>
<tr>
<td>6</td>
<td>150</td>
<td>E</td>
</tr>
</tbody>
</table>

34) In the table above, what inflation rate belongs in space A?
   A) −4.0 percent   B) 8.3 percent   C) 17.0 percent   D) 6.8 percent

35) In the table above, what price level belongs in space D?
   A) 140   B) 145  C) 130  D) 125