

1. Suppose there is no unemployment in the economy and society decides that it wants more of one good. Which of the following statements is true?
 - (a) It can increase output of the desired good with a decrease in production of another good.
 - (b) It cannot increase output any further.
 - (c) It can only increase output of a good by increasing factors of production.
 - (d) It can increase output by decreasing the unemployment rate.
2. Which of the following causes the production possibilities frontier to shift inward?
 - (a) An improvement in technology that makes it possible to produce more of all goods and services.
 - (b) An increase in the prices of natural resources.
 - (c) An earthquake that destroys capital stock used in production of goods and services.
 - (d) A increase in unemployment causing lower production of all goods and services.
3. What is the situation when an economy must give up a larger and larger level of production of a good in order to further increase the production of another good or service by one unit?
 - (a) Bowed-inward PPF
 - (b) Inefficient production of goods and services
 - (c) Increasing opportunity cost
 - (d) Production is inside the PPF
4. Suppose new trade agreements include clauses demanding higher wages for manufacturing workers abroad. Which of the following should happen in the international market for tablet computers, which are produced at such manufacturing facilities?
 - (a) Demand shifts to the left, quantity decreases, price decreases
 - (b) Supply shifts to the right, price decreases, quantity increases
 - (c) Demand shifts to the right, quantity increases, price increases
 - (d) Supply shifts to the left, quantity will decrease, price will increase.
5. Suppose new foreign automobile manufacturers enter the international market for automobiles. Which of the following should happen in the market for automobiles?
 - (a) Demand shifts to the right, quantity increases and price increases.
 - (b) Supply shifts to the left, quantity will decrease, price will increase.
 - (c) Demand shifts to the left, quantity decreases and price increases.
 - (d) Supply shifts to the right, price decreases, quantity increases

6. Suppose the government of a small country makes significant investments in public transportation, adding more routes, adding convenience, and decreasing price. What would be the impact on the market for automobiles?
 - (a) Demand shifts to the left and supply shifts to the left
 - (b) The demand shifts left, price decreases, and quantity decreases
 - (c) Demand shifts right, price increases, and quantity increases
 - (d) Demand shifts left and supply shifts right
7. Suppose roads and highways are not maintained and become more dangerous and damaging to automobiles. What would be the impact on the demand for automobiles?
 - (a) Demand shifts to the right and price increases
 - (b) Demand shifts to the right and the supply shifts to the left.
 - (c) Demand shifts to the left and supply shifts to the left
 - (d) Demand shifts to the left and price decreases
8. Suppose consumers expect a shortage of toilet paper in the future. What is the impact of the expectation on the market for toilet paper today?
 - (a) Supply shifts to the right, price decreases, quantity increases
 - (b) Demand shifts to the right, price increases, and quantity increases.
 - (c) Supply shifts to the left, price increases, quantity increases
 - (d) Demand shifts to the right and the supply shifts to the left.
9. Suppose consumers expect the price of gasoline to increase in the future. What is the impact of this expectation on the market for gasoline today?
 - (a) Demand shifts right and supply shifts right
 - (b) Demand shifts right, price increases, and quantity increases
 - (c) Demand shifts left, price increases, and quantity decreases
 - (d) Demand shifts left, price decreases, and quantity decreases
10. If the nominal exchange rate between the American dollar and the Canadian dollar is 0.87 Canadian dollars per American dollar, how many American dollars are required to buy a product that costs 2.50 Canadian dollars?
 - (a) 2.87 USD
 - (b) 2.50 USD
 - (c) 2.18 USD
 - (d) 3.37 USD
11. If the nominal exchange rate between the American dollar and the Canadian dollar is 0.87 Canadian dollars per American dollar, how many Canadian dollars are required to buy a product that costs 2.50 U.S dollars?
 - (a) 2.87 CAD
 - (b) 3.37 CAD
 - (c) 2.18 CAD
 - (d) 2.50 CAD

12. Suppose there is an increase in demand for U.S. produced automobiles in Europe. All else remaining equal, this should lead to which of the following?
- (a) An increase in supply of U.S. dollars
 - (b) A decrease in demand for Euros
 - (c) An increase in demand for U.S. dollars
 - (d) An increase in demand for Euros
13. Japan and South Korea are trading partners. Suppose there is an increase in incomes in Japan. What is the impact on the currency exchange market between Japanese Yen and Korean Won.
- (a) Increase in demand for Korean Won and an appreciation of the Japanese Yen against the Korean Won.
 - (b) Increase in demand for Japanese Yen and a depreciation of the Japanese Yen against the Korean Won.
 - (c) Increase in demand for Korean Won and a depreciation of the Japanese Yen against the Korean Won.
 - (d) Increase in demand for Japanese Yen and an appreciation of the Japanese Yen against the Korean Won.
14. Suppose financial investors expect an appreciation of the Korean Won against the Japanese Yen. What will be the impact on the market for currency exchange between the Won and Yen?
- (a) The demand for the Korean Won shifts to the right and the demand for the Japanese Yen shifts to the left.
 - (b) The demand for the Korean Won shifts to the left and the demand for the Japanese Yen shifts to the right.
 - (c) The demand for the Korean Won shifts to the right and the demand for the Japanese Yen shifts to the right.
 - (d) The demand for the Korean Won shifts to the left and the demand for the Japanese Yen shifts to the left.
15. Suppose incomes rise in the United States relative to Europe, and as a result, Americans demand more products produced in the United States and in Europe. As a result,
- (a) the Euro will depreciate relative to the U.S. dollar.
 - (b) both the U.S. dollar and Euro will appreciate relative to each other.
 - (c) the U.S. / Euro exchange rate will not be affected.
 - (d) the U.S. dollar will depreciate relative to the Euro.
16. Suppose interest rates increase in the United States and remain constant everywhere else. Which of the following will happen in the currency exchange market between Euros and U.S. dollars?
- (a) U.S. Dollar will depreciate / No change in value of Euro relative to U.S. Dollar
 - (b) Euro will depreciate / U.S. dollar will appreciate
 - (c) U.S. Dollar will appreciate / No change in value of Euro relative to U.S. Dollar
 - (d) Euro will appreciate / U.S. dollar will depreciate

17. Real GDP is GDP in a given year
- (a) valued in the prices of the base year.
 - (b) adjusted only for anticipated inflation.
 - (c) valued in the prices of that year.
 - (d) adjusted only for unanticipated inflation.
18. Which of the following macroeconomic measures could be used to compute inflation?
- (a) GDP deflator
 - (b) Nominal GDP
 - (c) Labor force
 - (d) Real GDP
19. Cyclical unemployment can result from which of the following?
- (a) A persistent mismatch between the skills and characteristics of workers and the requirements of the jobs.
 - (b) Normal process of searching for jobs
 - (c) A slow down of the economy
 - (d) Rising and falling inflation
20. Which of the following people would be included in the labor force?
- (a) Someone who lost their job when their business closed and decided to hold off working while they return to school.
 - (b) Someone who was laid off during the recession and isn't looking for jobs because they think no jobs are available.
 - (c) A young person who won the lottery and decided to quit their job and never work again.
 - (d) Someone who was fired for incompetence from their job in a manufacturing plant and is looking for another job.

21. Suppose freezing temperatures in early spring causes apple orchards to lose their fruit in the early part of the season before it can be harvested. Describe and illustrate the impact on the equilibrium price and quantity for apples.
22. Suppose people lose their desire to dine indoors at restaurants. Describe and illustrate the impact on groceries at the grocery store.
23. The difficult recession in 2007-2009 and beyond led to Christmas tree farmers to hold off on planting Christmas trees (it takes approximately 10-12 years to grow a typical-sized Christmas tree - and true story). In 2019, more people decided they preferred real Christmas trees over fake trees. Describe and illustrate the impact on the equilibrium price and quantity for real Christmas trees in 2019.

24. Suppose interest rates decrease in Brazil and Argentina, but the decrease is smaller in Argentina. Describe and illustrate the impact on the Brazilian *Real* (BRL) to Argentine Peso (ARS) exchange rate.

25. Suppose incomes increase in Mexico and there is no change in incomes in the United States. Describe and illustrate the impact on the Mexican Peso (MXN) to U.S. Dollar (USD) exchange rate.

26. Suppose an economy produces only automobiles and trains and experienced the following quantities and prices:

	Price 2019	Qty 2019	Price 2020	Qty 2020
Automobiles	\$10,000	180	\$12,000	190
Trains	\$110,000	8	\$115,000	10

Use 2019 as a base year and compute the inflation rate from 2019-2020.

27. Suppose an economy has a working-age population with the following characteristics:

- 10 retired
- 75 employed
- 20 people not working and looking for a job
- 15 people not working, going to school full time instead of looking for work
- 5 people recently laid off, but not looking for work because they think no jobs are available.

Calculate the labor force participation rate.

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Calculate the unemployment rate.