Choose the one alternative that best completes the statement or answers the question.

1) The _____ is the total number of people aged 16 years and older (and not in jail, hospital or institutional care) while the _____ is the number of people employed and the unemployed.
    A) labor force participation rate; labor force
    B) working-age population; labor force participation rate
    C) working-age population; labor force
    D) labor force; working-age population

1) _____

2) Suppose there are 100 million in the labor force, and 6 million unemployed people. During the next month, 200,000 people lose their jobs and 300,000 find jobs. The new total of employed persons is _____ and the new unemployment rate is _____.
    A) 94.1 million; 5.9 percent
    B) 100.1 million; 5.8 percent
    C) 100 million; 6.1 percent
    D) 93.9 million; 6.1 percent

2) _____

3) The labor force participation rate is percentage of the _____ who are in the labor force.
    A) population
    B) working-age population
    C) people over age 16
    D) people under age 65

3) _____

4) When more labor is unemployed than the amount at the natural unemployment rate, then real GDP _____ potential GDP.
    A) is equal to
    B) is greater than
    C) is less than
    D) cannot be compared to

4) _____

5) Suppose the CPI last year is 121 and the CPI this year is 137. The correct method to calculate the inflation rate is
    A) $(137/121) \times 100 = 113.2$.
    B) $[(137 - 121)/121] \times 100 = 13.2$.
    C) $137 \times 121 = 258$.
    D) $(137 - 121)/100 = 0.16$.

5) _____

6) If the CPI was 132.5 at the end of last year and 140.2 at the end of this year, the inflation rate over these two years was
    A) 5.8 percent.   B) 7.7 percent.   C) 4.4 percent.   D) 5.4 percent.

6) _____

Write your answer in the space provided or on a separate sheet of paper.

7) Suppose that the U.S. population is 275 million. Also assume that the labor force is 135 million and that 130 million people are employed. Calculate the unemployment rate.

8) Suppose the working-age population is 150 million, the labor force is 125 million, and employment is 120 million.
    a)   What is the unemployment rate?
    b)   Now suppose that 2 million students graduate from college and begin to look for jobs. What is the new unemployment rate if none of the students have found jobs yet?
    c)   Suppose that all 2 million students find jobs. What is the unemployment rate now?

9) If nominal GDP is $230 for a period and real GDP is $200 for the same period, what is the GDP deflator for this period?

10) A typical household in Orangeland consumes only orange juice and shorts. Last year, which was the base year, the household spent $400 on juice and $120 on shorts. In the base year, juice was $2 a bottle and shorts were $10 a pair. This year, juice is $3 a bottle, shorts are $12 a pair, and a typical household has bought 180 bottles of juice and 14 pairs of shorts.
   a) What is the basket used in the CPI?
   b) Calculate the CPI in the current year.
   c) Calculate the inflation rate in the current year.
   d) Is the inflation rate that you've calculated likely to be biased? Why or why not?