

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. 1) _____
 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
- 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 _____. 2) _____
 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
- 3) The labor force participation rate is percentage of the _____ who are in the labor force. 3) _____
 A) population
 B) working-age population
 C) people over age 16
 D) people under age 65
- 4) When more labor is unemployed than the amount at the natural unemployment rate, then real GDP _____ potential GDP. 4) _____
 A) is equal to
 B) is greater than
 C) is less than
 D) cannot be compared to
- 5) Suppose the CPI last year is 121 and the CPI this year is 137. The correct method to calculate the inflation rate is 5) _____
 A) $(137/121) \times 100 = 113.2$.
 B) $[(137 - 121)/121] \times 100 = 13.2$.
 C) $137 \times 121 = 258$.
 D) $(137 - 121)/100 = 0.16$.
- 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 6) _____
 A) 5.8 percent.
 B) 7.7 percent.
 C) 4.4 percent.
 D) 5.4 percent.

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?