

Instructor: Dr. Ozan Eruygur

Problem Set 4

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

- 1) The per-hour output produced by a worker describes the:  
A) productivity of workers.  
B) capital per worker ratio.  
C) labor force participation rate.  
D) nominal worker growth standard.
- 2) Bob is not considered unemployed if he:  
A) is temporarily laid off.  
B) is not working but has looked for a job for the past two months.  
C) is not looking for a job.  
D) all of the above
- 3) For Elizabeth to be considered out of the labor force, she can be:  
A) temporarily laid off.  
B) a full-time student.  
C) working only 10 hours per week.  
D) self-employed.
- 4) Toby graduated from college three weeks ago and is currently without work. He accepted a job that will start in two weeks. Today, Toby is:  
A) in the labor force.  
B) a discouraged worker.  
C) not in the labor force.  
D) employed.
- 5) The number of people employed equals:  
A) the labor force plus the number of people unemployed.  
B) the labor force minus the number of people unemployed.  
C) the number of people unemployed divided by the labor force.  
D) the number of people unemployed minus the labor force.
- 6) Timmy started looking for another job immediately after he lost his current job. As a result the:  
A) labor force decreases.  
B) unemployment rate remains constant.  
C) labor force increases.  
D) unemployment rate increases.

- 7) When an individual quits his job and decides to look for a new job immediately, the labor-force participation rate:
- A) increases.
  - B) decreases.
  - C) stays the same.
  - D) may increase or decrease, depending on the length of time he/she stays at home.
- 8) Tony has just graduated from college and has now applied for a full time position where he is currently working part-time. This causes the unemployment rate to \_\_\_\_\_ and the labor-force participation rate to \_\_\_\_\_.
- A) increase; stay the same
  - B) stay the same; stay the same
  - C) increase; decrease
  - D) increase; increase
- 9) By classifying discouraged workers as out of the labor force, the unemployment rate is \_\_\_\_\_ if they were considered as employed.
- A) the same as
  - B) lower than
  - C) higher than
  - D) any of the above can be correct.
- 10) During recessions, the \_\_\_\_\_ increases and this reduces the \_\_\_\_\_.
- A) population; unemployment rate
  - B) number of discouraged workers; unemployment rate
  - C) inflation rate; price level
  - D) employment rate; labor force
- 11) When a radiologist quits her job at a hospital and starts looking for a better job in another hospital, she is:
- A) cyclically unemployed.
  - B) frictionally unemployed.
  - C) naturally unemployed.
  - D) structurally unemployed.
- 12) A structurally unemployed person is:
- A) an individual who is switching jobs within the same industry.
  - B) an individual who cannot find a job because of a recession.
  - C) an individual who cannot find a job because his or her job skills have become obsolete.
  - D) not counted as part of the labor force.
- 13) The sum of frictional unemployment and structural unemployment is:
- A) the size of the labor force.
  - B) seasonal unemployment.
  - C) cyclical unemployment.
  - D) the natural rate of unemployment.
- 14) A customer service representative in Nebraska who loses his job because the company relocated the customer service department to India represents an example of:
- A) structural unemployment.
  - B) cyclical unemployment.
  - C) frictional unemployment.
  - D) natural unemployment.

- 15) Telephone operators who have lost their jobs as a result of computerized switchboards are an example of:
- A) cyclical unemployment.
  - B) structural unemployment.
  - C) frictional unemployment.
  - D) voluntary unemployment.
- 16) The unemployment that occurs during recessions and depressions is:
- A) cyclical unemployment.
  - B) frictional unemployment.
  - C) the natural rate of unemployment.
  - D) structural unemployment.
- 17) The demand for automobiles falls when the economy experiences a recession. If an automobile manufacturer lays off workers during a recession, this would be an example of:
- A) structural unemployment.
  - B) cyclical unemployment.
  - C) frictional unemployment.
  - D) natural unemployment.
- 18) Deflation is an decrease in:
- A) the overall price level.
  - B) the average income level.
  - C) the price of one item.
  - D) real gross national product.
- 19) Which of the following statements is *true*?
- A) The best overall indicator of inflationary pressures in the economy is the CPI.
  - B) The consumer price index somewhat understates changes in the cost of living.
  - C) The producer price index is considered to be a leading indicator of future inflation rates.
  - D) One benefit with any fixed-bundle index as a measure of the cost of living is that it does not account for substitutions that consumers might make in response to price changes.
- 20) The real interest rate is the difference between \_\_\_\_\_ and \_\_\_\_\_.
- A) inflation rate; GDP deflator
  - B) frictional inflation rate; structural inflation rate
  - C) the interest rate on a loan; the inflation rate
  - D) nominal interest rate; depreciation
- 21) Bob borrows \$250 from Patrick. Patrick wants to make a 3% real return on his money, so they both agree on a 3% interest rate paid next year. Both don't anticipate the 3% inflation next year. In this case:
- A) Patrick is better off.
  - B) Patrick will receive more than 3% of real rate of return a year from now.
  - C) Bob is better off.
  - D) Bob will pay \$15 a year from now on.
- 22) If Simon is paid an interest rate of 4% on his savings, but the inflation rate is 9%, the real interest rate Simon earns is:
- A) -5%.
  - B) -2.25%.
  - C) 36%.
  - D) 4%.