



Soochow University, Winter Session I, 2021
ECON202 (Dr. Lei Pan)
Quiz 2 Solution
Due Monday, December 27 2021 at 5:00pm Taipei Time

Multiple Choice Questions [Total = 100 marks]

Choose ONE of the best answers for each of the following questions. Each question is worth 4 marks.

Question 1. [4 marks] Bob is unemployed if he

- A. is temporarily absent.
- B. is not looking for a job.
- C. has looked for a job for two months and then quit looking.
- D. A and C are correct.

Answer A

Question 2. [4 marks] Cheryl graduated from college a month ago and is now without work. She accepted a job that will start next month. Today, Cheryl is

- A. not in the labor force.
- B. in the labor force.
- C. employed.
- D. a discouraged worker.

Answer B

Question 3. [4 marks] Jake retired from the police force. He started working an hour or two a day at a paid job in city's courthouse. Jake is

- A. employed.
- B. in the labor force.
- C. unemployed.

D. not in the labor force.

Answer A

Question 4. [4 marks] Diane lost her job and immediately started looking for another job. As a result the

- A. unemployment rate increases.
- B. labor force increases.
- C. labor force decreases.
- D. unemployment rate remains constant.

Answer A

Question 5. [4 marks] If the number of people classified as unemployed is 20,000 and the number of people classified as employed is 400,000, what is the unemployment rate?

- A. 2.0%
- B. 4.8%
- C. 5.0%
- D. 9.2%

Answer B

Question 6. [4 marks] If the unemployment rate is 6.2% and the number of people employed is 200,000, the labor force is approximately

- A. 210,970 people.
- B. 212,400 people.
- C. 213,220 people.
- D. cannot be determined from this information.

Answer C

Question 7. [4 marks] Mike has just graduated from college and is now looking for a job, but has not yet found one. This causes the unemployment rate to _____ and the labor-force participation rate to _____.

- A. increase; decrease
- B. stay the same; stay the same
- C. increase; increase
- D. increase; stay the same

Answer C

Question 8. [4 marks] Which of the following statements is TRUE?

- A. The unemployment rate does not tell us anything about the duration of unemployment.
- B. The duration of unemployment decreases during recessions.
- C. The duration of unemployment increases during economic expansions.
- D. The median duration of unemployment is usually greater than the average duration.

Answer A

Question 9. [4 marks] We can safely say that total output can increase if there is a(n)

- A. increase in the size of the labor force and a decrease in the productivity of workers.
- B. decrease in the size of capital and an increase in the productivity of machines.
- C. increase in the number of machines per worker.
- D. decrease in the number of workers per machine.

Answer C

Question 10. [4 marks] Which of the following is a desirable characteristic in an economy?

- A. growing per-capita output
- B. rapid increase in the general price level
- C. population growing the same rate as output
- D. population growing faster than output

Answer A

Question 11. [4 marks] Which of the following is NOT considered capital?

- A. a factory a company builds to produce other output
- B. a tractor produced by John Deere
- C. the knowledge an individual acquires through education
- D. 10,000 U.S. dollars

Answer D

Question 12. [4 marks] One key factor promoting investment is:

- A. willingness of households to spend their money.
- B. a substantial increase in government spending.
- C. high taxes.
- D. clear and well enforced property rights.

Answer D

Question 13. [4 marks] Copper is an example of

- A. a renewable natural resource.
- B. human capital.
- C. physical capital.
- D. a non-renewable natural resource.

Answer D

Question 14. [4 marks] [4 marks] Which of the following describes an increase in technological knowledge?

A. A farmer sends his child to agricultural college and the child returns to work on the farm.

B. A farmer hires another day labourer.

C. A farmer buys another tractor.

D. A farmer discovers that it is better to plant in the spring rather than in the fall.

Answer D

Question 15. [4 marks] Which of the following are characteristics of bonds?

i. Bonds are certificates of indebtedness.

ii. Bonds are purchased through auctions.

iii. Bonds can be resold in secondary bond markets.

iv. Bonds represent ownership of a corporation.

A. only ii, iii, and iv

B. only i, ii, and iii

C. only i, iii, and iv

D. all four

Answer B

Question 16. [4 marks] Which of the following statements is true, regarding stocks?

A. Stocks specify the benefits the holder will have in the future.

B. The act of buying stock of a corporation amounts to buying a part of that corporation.

C. Stocks have maturity dates.

D. Stocks pay interest to the stockholder.

Answer B

Question 17. [4 marks] If $\text{GDP} = \$1,000$, $\text{consumption} = \$600$, $\text{taxes} = \$100$, and $\text{government purchases} = \200 , how much is saving and investment?

A. $\text{saving} = \$300$, $\text{investment} = \$300$

B. $\text{saving} = \$200$, $\text{investment} = \$100$

C. $\text{saving} = \$100$, $\text{investment} = \$200$

D. $\text{saving} = \$200$, $\text{investment} = \$200$

Answer D

Question 18. [4 marks] If the public consumes \$100 billion less and the government purchases \$100 billion more (other things unchanging), which of the following statement is TRUE?

A. Saving is unchanged.

B. There is an increase in saving and the economy should grow more quickly.

C. There is a decrease in saving and the economy should grow more slowly.

D. There is not enough information to determine what will happen to saving.

Answer A

Question 19. [4 marks] Which of the following sets of government policies is the most growth oriented?

A. Lower taxes on the returns to saving, provide investment tax credits, and lower the deficit.

B. Increase tax on the returns to saving, provide investment tax credits, and increase the deficit.

C. Increase tax on the returns to saving, provide investment tax credits, and lower the deficit.

D. Lower taxes on the returns to saving, provide investment tax credits, and increase the deficit.

Answer A

Question 20. [4 marks] If US citizens become less concerned with the future and save less at each real interest rate,

- A. real interest rates rise and investment falls.
- B. real interest rates rise and investment rises.
- C. real interest rates fall and investment rises.
- D. real interest rates fall and investment falls.

Answer A

Question 21. [4 marks] If the government increases investment tax credits and reduces taxes on the return to saving at the same time,

- A. the real interest rate should fall.
- B. the real interest rate should rise.
- C. the impact on the real interest rate is indeterminate.
- D. the real interest rate should not change.

Answer C

Question 22. [4 marks] The reduction in risk achieved by replacing a single risk with a large number of smaller unrelated risks is called:

- A. expansion.
- B. spread.
- C. insurance.
- D. diversification.

Answer D

Question 23. [4 marks] When people increase the percentage of their savings that they have invested in stocks, as opposed to short-term government bonds, they _____ the average return they can expect to earn, and they _____ the risks they face.

- A. increase, decrease
- B. decrease, increase
- C. increase, increase
- D. decrease, decrease

Answer C

Question 24. [4 marks] Which of the following is FALSE?

- A. All economists believe that markets are efficient.
- B. Some economists believe that markets sometimes don't behave rationally.
- C. If markets behave irrationally, investors should be able to take advantage of this and beat the market.
- D. It is very hard for individual investors to beat the market.

Answer A

Question 25. [4 marks] If the interest rate is zero, then \$100 to be paid in 10 years has a present value that is

- A. less than \$100.
- B. exactly \$100.
- C. more than \$100.
- D. indeterminate.

Answer B