Multiple Choice Questions: (3 points each)

1. I am taking ____________ of the exam.
   A. Version A
   B. Version B

2. Which of the following statements is accurate? “Between 1915 and 2015 the value of…
   A. …Nominal GDP in the U.S. declined by approximately 7.6%.”
   B. …Real GDP in the U.S. increased by about 84.2%.”
   C. …Real GDP Per Capita in the U.S. became roughly 8.3 times larger.”
   D. More than one (perhaps all) of the above answers are correct.

3. Capital flight refers to
   A. an environment in which property rights and contracts are respected and administered fairly and transparently, without favoritism.
   B. the conjecture that (all other factors fixed) growth rates of less developed countries will exceed growth rates of developed countries, making the gap in per capita GDP between such countries narrow over time.
   C. the incentive for crony capitalists to fly to a country’s capital in order to lobby legislators and bureaucrats for preferential treatment from the government.
   D. the tendency for wealthy people in poor countries to invest their financial resources abroad instead of at home.

4. The Allocation Function of Government refers to
   A. a situation in which the “free market outcome” is inefficient, in that there is a positive Deadweight-Loss at the free market level of trade.
   B. government policies aimed at changing the final distribution of goods/services across consumers, usually with the intention of realizing a “fairer” apportionment of consumption, income, and wealth.
   C. government production of goods or regulation of business, aimed at getting the “right mix” of products produced (each in the “ideal quantity” and at the “ideal quality”).
   D. attempts by government to minimize fluctuations in macroeconomic activity.

5. Dan bought 5 comic books from Erin. Assume that nobody else besides Dan and Erin was impacted by this transaction. This trade gave Dan a Consumer’s Surplus of $14 and generated a Social Surplus of $26. It follows that Erin realized ________________ from this trade.
   A. zero Producer’s Surplus
   B. a Producer’s Surplus of $12
   C. a Producer’s Surplus of $20
   D. a Producer’s Surplus of $40

6. Between January 1948 and April 2018, the highest value of the Misery Index in the United States was a value of
   C. 8.57 in August 2002.
   D. 52.34 in May 2017.
7. When Korea was split into North Korea and South Korea in 1953, Real Per Capita GDP was $1,385 in South Korea and $706 in North Korea (i.e., 1.96 times larger in S.K.). By 2015, Real Per Capita GDP was
A. $49,782 in South Korea and $25,269 in North Korea (i.e., 1.97 times larger in S.K.).
B. $35,316 in South Korea and $1,720 in North Korea (i.e., 20.53 times larger in S.K.).
C. $16,093 in South Korea and $15,894 in North Korea (i.e., essentially equal in the two countries).
D. $9,953 in South Korea and $22,594 in North Korea (i.e., 2.27 times larger in N.K.).

A. The United States; Canada.
B. Zimbabwe; Venezuela.
C. Albania; Germany.
D. New Zealand; Japan.

9. Focusing on government spending as a percentage of GDP in the U.S., we observed that: (i) between 1820 and 1917 this figure was never larger than 14.83%, (ii) before 2008 this figure was above 38.67% in only three single years (1943, 1944, and 1945), and (iii) in 1945 this figure was 52.22%. In every single year since 2008, government spending in the U.S. as a percentage of GDP has been
A. below 14.83%.
B. between 14.83% and 38.67%.
C. between 38.67% and 52.67%.
D. above 52.22%.

10. In 2016 there were ________ deaths from malaria world-wide, with _____ of these occurring in Africa.
A. 1,257; 36%.
B. 445,000; 91%.
C. 127.2 million; 84%.
D. None of the above answers are correct (since malaria was eradicated globally in February 2009 by Barack Obama, shortly after he became President of the United States).

For questions 11 and 12, consider a society with an adult population categorized as follows:

<table>
<thead>
<tr>
<th>Do you currently have a job?</th>
<th>Type A</th>
<th>Type B</th>
<th>Type C</th>
<th>Type D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Are you currently seeking a job?</th>
<th>3,400,000</th>
<th>1,200,000</th>
<th>400,000</th>
<th>750,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

11. There are __________ people in the labor force of this society.
A. 5,750,000
B. 5,000,000
C. 4,600,000
D. 3,400,000

12. This society’s Unemployment Rate is ______.
A. 8%
B. 20%
C. 25%
D. 32%
13. _______________ refers to the logical error whereby someone incorrectly concludes that simply because there are benefits (to some people) from higher levels of an activity, that more of the activity is always better.
   A. Market Failure
   B. The Open-Ended Fallacy
   C. Deadweight Loss
   D. Crony Capitalism

14. Market equilibrium price determines
   A. the split of total gains from trade between buyers and sellers at the market equilibrium.
   B. if the free market outcome is a negative-sum, zero-sum, or positive-sum environment.
   C. if a country is running a trade deficit or a trade surplus.
   D. the magnitude of the negative Deadweight Loss associated with the free market outcome.

15. Per Capita GDP for the World as a whole is approximately $17,300 and for the U.S. is approximately $59,500. In comparison, the value of Per Capita GDP in the European Union is approximately
   A. $16,950 (slightly less than the value for the World as a whole).
   B. $39,200 (between the value for the World as a whole and the value for the U.S.).
   C. $59,825 (roughly the same as in the U.S.).
   D. $89,140 (about 50% higher than in the U.S.).

For questions 16 and 17 refer to the graph below, which illustrates Total Social Surplus in the market for Good Y as a function of the level of production/consumption of the good.

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16. The efficient level of trade of Good Y is _____ units.
   A. 975
   B. 630
   C. 410
   D. 260

17. If 260 units of Good Y were produced/consumed, there would be a Deadweight Loss of ______.
   A. $1,575
   B. $625
   C. $325
   D. –$1,200 (i.e., negative $1,200)
18. Consider a situation in which Amanda gains $8, Brett gains $6, and Cindy loses $16. Based upon this information alone, it appears as if this is a _______ outcome in a _______ environment.
A. lose-lose; negative-sum.
B. win-lose; positive-sum.
C. win-lose; negative-sum.
D. win-win; positive-sum.

19. As depicted in the Expanded Circular Flow Diagram, government collects taxes from
A. domestic firms and foreign firms (but not from any households).
B. domestic households and foreign households (but not from any firms).
C. domestic households and domestic firms (but not from any foreign sources).
D. foreign households and foreign firms (but not from any domestic sources).

For Questions 20 through 22, consider a monopolist facing Demand and with Marginal Costs and Marginal Revenue as illustrated below.

20. To maximize profit, this monopolist would sell _______ and charge a price of _______.
A. 9,700 units of output; $23.75 per unit.
B. 5,050 units of output; $11.15 per unit.
C. 2,800 units of output; $7.10 per unit.
D. 2,800 units of output; $16.25 per unit.

21. When the monopolist chooses price and quantity to maximize profit, Total Consumers’ Surplus
A. is equal to zero.
B. is equal to “areas (a)+(b).”
C. is equal to “areas (a)+(b)+(c)+(d)+(e).”
D. is equal to “areas (e)+(f).”

22. If the government were to mandate that the monopolist must charge a price of $7.10 per unit and sell all units that people want to buy at this price, then Deadweight Loss would be
A. equal to “area (g).”
B. equal to “areas (g)+(h)+(i).”
C. equal to “areas (a)+(b)+(c)+(d)+(e).”
D. equal to “areas (e)+(f).”
Since January 1948 there have only been three instances in which the unemployment rate in the U.S. (reported on a monthly basis) has been above 8%. This occurred most recently for
B. 43 consecutive months from February 2009 through August 2012.
C. 27 consecutive months from January 2016 through March 2018.

Consider two countries that each have a Per Capita GDP of $5,000 in 2020. Country A realizes a constant 6% increase in Per Capita GDP each year, while Country B realizes a constant 9% increase in Per Capita GDP each year. Given these constant rates of increase, in 2044 (i.e., 24 years in the future), Per Capita GDP will be approximately
A. $10,000 in Country A and $15,000 in Country B.
B. $12,200 in Country A and $15,800 in Country B.
C. $20,000 in Country A and $40,000 in Country B.
D. $40,000 in Country A and $80,000 in Country B.

High income countries with primarily market based economies, large stocks of technologically advanced industrial capital, and a highly educated and skilled workforce (e.g., U.S., Norway, Australia, Germany, and Japan) are referred to as
A. Over Developed Countries.
B. Industrially Advanced Countries.
C. Morally Superior Countries.
D. Less Developed Countries.

Between 1970 and 2016 the European Union had an average annual growth rate of 2.27% and the United States had an average annual growth rate of 2.81%. In comparison, during this same period China had an average annual growth rate of ________.
A. –1.43% (i.e., negative 1.43%)
B. 1.98%  
C. 3.14% 
D. 9.19%

For questions 27 and 28, consider a country with consumption expenditures, private investment expenditures, government purchases, exports, and imports (each measured in millions of Euros), plus population as summarized in the table below:

<table>
<thead>
<tr>
<th>Consumption Expenditures</th>
<th>Investment Expenditures</th>
<th>Government Purchases</th>
<th>Exports</th>
<th>Imports</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ 65,520</td>
<td>€ 5,000</td>
<td>€ 5,480</td>
<td>€ 4,850</td>
<td>€ 4,200</td>
<td>2,100,000</td>
</tr>
</tbody>
</table>

For this country Net Exports are equal to ________.
A. € – 650 (i.e., negative 650 million)
B. € 650 million
C. € 4,850 million (i.e., € 4.85 billion)
D. € 9,050 million (i.e., € 9.05 billion)

For this country, Per Capita Gross Domestic Product is equal to ________.
A. € 40,500
B. € 38,500
C. € 36,500
D. € 31,200
29. As discussed in lecture, society can achieve economic growth by
   A. implementing policies which would provide incentives for businesses to decrease
      investment in physical capital.
   B. replacing market based economic institutions with mechanisms of command planning.
   C. making deliberate investments in overhead capital.
   D. More than one (perhaps all) of the above answers is correct.

30. A good that is used in the production process that is not (itself) a final good or service is
   ____________________.
   A. a per capita good
   B. a consumption good
   C. a government purchase
   D. an intermediate good

31. Of the countries for which we observed “Average Annual Working Time” in lecture, workers in
   ___________ had the highest value of 2,257 hours per year.
   A. Germany
   B. Norway
   C. Mexico
   D. the United States

For questions 32 and 33, consider a country with realized rates of inflation, unemployment, and GDP

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2014</th>
<th>2017</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation Rate</td>
<td>3.2%</td>
<td>– 0.5%</td>
<td>0.7%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>4.9%</td>
<td>6.2%</td>
<td>7.3%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Real GDP Growth Rate</td>
<td>3.5%</td>
<td>2.3%</td>
<td>– 0.5%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

32. In which year was the Misery Index greatest in value?
   A. 2020.
   C. 2014.
   D. 2011.

33. In which year did this country realize “deflation”?
   A. Both 2014 and 2017.
   B. 2014.
   D. None of the above answers are correct (since this country did not realize deflation in any
      of these years).