

2. Economic Indicators and the Business Cycle

Starter Quiz ·

AP Macroeconomics

Name: _____ Score: _____

1. GDP is the market value of all _____ goods and services produced in a country in a year.
 - ☐ intermediate
 - ☐ financial
 - ☐ used
 - ☐ final
2. If you cook your own dinner instead of paying a restaurant, GDP:
 - ☐ rises by the same amount
 - ☐ falls
 - ☐ doubles
 - ☐ does not rise (nonmarket production)
3. The labour force includes:
 - ☐ the employed plus the unemployed who are looking
 - ☐ only the employed
 - ☐ everyone of working age
 - ☐ retirees and students
4. Inflation is:
 - ☐ a rise in one good's price only
 - ☐ a fall in output
 - ☐ a fall in the general price level
 - ☐ a rise in the general price level
5. Which kind of inflation does the least harm, because people can plan for it?
 - ☐ anticipated inflation
 - ☐ surprise inflation
 - ☐ hyperinflation
 - ☐ unanticipated inflation
6. If nominal GDP doubles only because prices doubled, real GDP also doubles.
 - ☐ True ☐ False

7. Potential real GDP is 1,200 and actual real GDP is 1,140. What is the output gap? (keep the sign)

8. In the circular flow, total spending is always greater than total income.

☐ True ☐ False

9. Hidden, unreported work that dodges taxes is part of the _____ economy.

10. A town has 95,000 employed and 5,000 unemployed. What is the unemployment rate, in percent?

_____ percent

1. **final**

Only final goods count, so we don't double-count the intermediate parts.

2. **does not rise (nonmarket production)**

Unpaid household production has no market price, so GDP does not record it.

3. **the employed plus the unemployed who are looking**

It leaves out people not seeking work – retirees, full-time students, stay-at-home parents.

4. **a rise in the general price level**

Inflation is the average of all prices rising, not just one good.

5. **anticipated inflation**

When inflation is expected, workers and lenders build it into wages and interest rates.

6. **False**

False. No extra output was produced, so real GDP, which strips out price changes, stays the same.

7. **-60**

Output gap = actual – potential = 1,140 – 1,200 = –60 – a recessionary gap.

8. **False**

False. Every dollar a household spends becomes a dollar of income for someone, so total spending equals total income.

9. **underground**

Because it is deliberately hidden, GDP records less output than really happened.

10. **5 percent**

Labour force = 100,000; rate = $5,000 \div 100,000 \times 100 = 5\%$.