

Chapter 13 Test, Form A

Economic Instability

DIRECTIONS: Matching Match each item with its correct description.

- | | |
|--|--------------------------------------|
| _____ 1. combination of inflation and unmoving economic growth | A. depression scrip |
| _____ 2. a practice in which outside firms are hired to perform non-core operations to lower operating costs | B. price index |
| _____ 3. point in time when real GDP stops declining and begins to expand | C. outsourcing |
| _____ 4. point in time when real GDP stops expanding and begins to decline | D. peak |
| _____ 5. unofficial currency issued by towns, chambers of commerce, and other civic bodies during the 1930s | E. GDP gap |
| _____ 6. statistical series used to measure changes in the price level over time | F. cyclical unemployment |
| _____ 7. macroeconomic expression used to describe how the economy is expected to perform in the future | G. econometric model |
| _____ 8. opportunity cost of unemployed resources | H. producer price index (PPI) |
| _____ 9. jobs lost directly related to swings in the business cycle | I. stagflation |
| _____ 10. monthly series of reports used to measure prices received by domestic producers | J. trough |

DIRECTIONS: Multiple Choice Indicate the answer choice that best completes the statement or answers the question.

- _____ 11. What does a trough indicate?
- The GDP has stopped increasing and has begun to decline.
 - The GDP is stagnant.
 - There is a GDP gap.
 - The GDP has stopped declining and has begun to increase.
- _____ 12. How are the effects of U.S. inflation rates felt around the world?
- The effects of U.S. inflation rates are not felt around the world.
 - The number of goods and services that each dollar will buy increases.
 - The dollar's exchange rate rises.
 - U.S. inflation makes U.S. exports more expensive overseas.

Chapter 13 Test, Form A *cont.*

Economic Instability

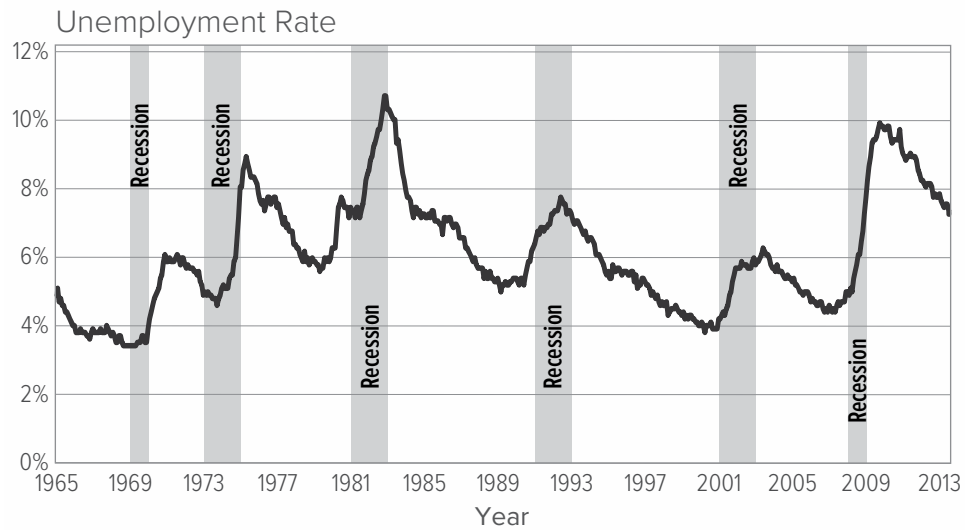
- _____ 13. What conditions stop the economy from growing and turn an expansion into a contraction?
- A. decrease in foreign investment
 - B. low-interest capital expenditures
 - C. increase in exports
 - D. external shocks
- _____ 14. Which of the following is not a cause of inflation?
- A. wage-price spiral
 - B. demand-push
 - C. excessive monetary growth
 - D. none of the above
- _____ 15. What type of unemployment occurred when the government closed military bases in the 1990s?
- A. cyclical
 - B. long-term
 - C. frictional
 - D. structural
- _____ 16. Which of the following is a form of instability that reverses economic growth?
- A. recession
 - B. deflation
 - C. frictional unemployment
 - D. creeping inflation
- _____ 17. Which of the following is included in the unemployment rate?
- A. people who hold only part-time jobs
 - B. people who are too frustrated to look for work
 - C. the jobless who made an effort to find a job during the past month
 - D. all of the above
- _____ 18. A trend line is
- A. a trough on a graph.
 - B. a reflection of an external shock.
 - C. a hypothetical graph line.
 - D. a peak on a graph.
- _____ 19. Which of the following is true about inflation?
- A. Inflation has a tendency to make people change retail spending habits.
 - B. Economists have agreed on a single explanation for the cause of inflation.
 - C. Inflation tempts some people to speculate in an attempt to take advantage of rising prices.
 - D. Inflation is a decrease in the general level of the prices of goods and services.
- _____ 20. How did business cycles change after World War II?
- A. There were no external shocks.
 - B. Business cycles became much more extreme.
 - C. Recessions occurred more frequently.
 - D. Recessions became shorter and periods of expansion became longer.

Chapter 13 Test, Form A *cont.*

Economic Instability

DIRECTIONS: Essay Write a short essay for each of the following questions.

Figure 13.5



21. Identify the relationship being examined in this figure, and describe the cycle illustrated by the graph.

22. Name and describe the type of unemployment to which outsourcing **most** contributes, and give an example of how this occurs.