Econ 201 Quiz 3 Fall 2003

Multiple Choice
Identify the letter of the choice that best completes the statement or answers the question.

1. The use of automated teller machines (ATMs) has caused some bank tellers to lose their jobs. This is an example of
   a. cyclical unemployment.
   b. seasonal unemployment.
   c. frictional unemployment.
   d. structural unemployment.

2. During inflationary periods
   a. all prices rise at the rate of inflation.
   b. wages must necessarily decline.
   c. some prices may fall.
   d. relative prices never change.

3. Suppose that John agrees to loan Marsha $1,000 for one year and they agree on a real interest rate of 5%. If they agree that the expected rate of inflation is 2%, what is the nominal interest rate?
   a. 3%
   b. 7%
   c. 2.5%
   d. 0.4%

4. In 2000, the Consumer Price Index was 178.3. In 2001, it stood at 183.5. The inflation rate for 2001 was
   a. -2.8%
   b. 5.6%
   c. 2.9%
   d. 3.9%

5. Suppose the price of a bottle of Coke is $1.00 and the price of a Milky Way candy bar is $0.50. If the price of a bottle of Coke increases to $2.00 and the price of a Milky Way candy bar increases to $1.00, then the relative price of Coke in terms of Milky Way candy bars
   a. decreases
   b. increases
   c. stays the same
   d. none of the above

6. "Discouraged workers"
   a. are included in the labor force as being unemployed
   b. are included in the labor force as being employed
   c. are not included in the labor force
   d. none of the above
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Answer Section

MULTIPLE CHOICE

1. D
2. C
3. B
4. A
5. C
6. C