Assignment II

1) If a particular index number in 1999 is 127 and the base year is 1996, then the index shows an increase of
    a. 2.7 percent between 1996 and 1999
    b. 127 percent
    c. 27 percent
    d. 0.27 percent
    e. an indeterminable percent, since the value of the index in 1996 is unknown

2) Suppose that a family's income grew from $38 000 to $38 100 over the period 2001 2002 which saw an inflation of 2 percent. We can conclude that this family experienced
    a. An increase in both nominal and real income
    b. A decrease in both nominal and real income
    c. A decrease in nominal but an increase in real income
    d. A decrease in real income but an increase in nominal income
    e. An increase in nominal income but no change in real income

3) If employment in a country was 12 million and unemployment was 1 million, the umployment rate would be
    a. 13 million
    b. 7.7 percent
    c. 8.3 percent
    d. 9.1 percent
    e. none of the above

4) If nominal GDP is $150 and real GDP is $125, the value of the GDP deflator is
    a. 120
    b. .3
    c. 1.2
    d. 83
    e. 125

For the next six questions use the following figure
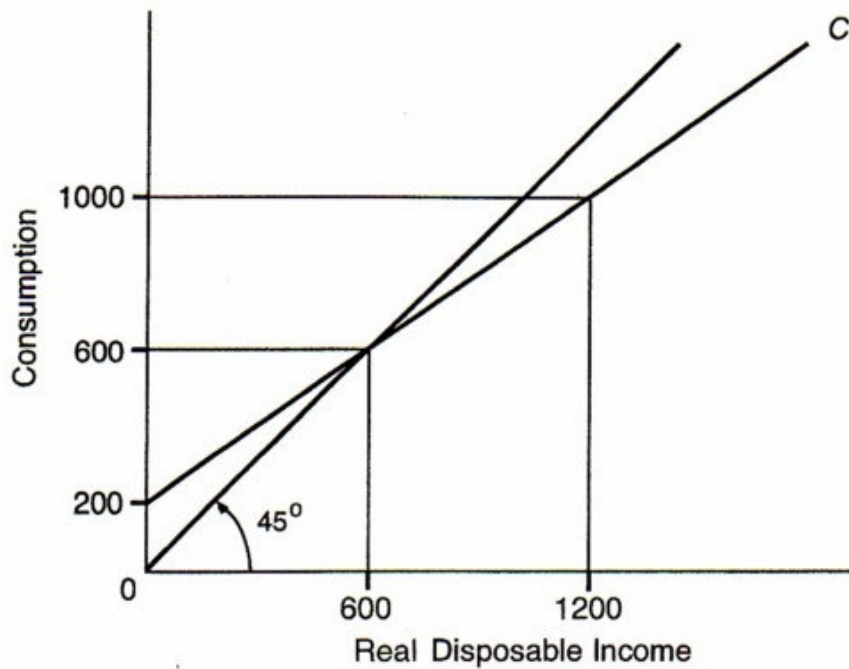
5) The consumption function in the previous figure depicts that an economy's desired consumption expenditures are
    a. Partially induced by increases in disposable income
    b. Partially determined autonomously by factors other than income
    c. A function of disposable income in the current year rather than over a lifetime
    d. A declining proportion of disposable income
    e. All of the above

6) The marginal propensity to consume (MPC) out of disposable income according to the figure is
    a. 200
    b. 100
    c. 2/3
    d. 1/3
    e. 5/6

7) As disposable income rises from 600 to 1200, the average propensity to consume
    a. Rises from 1/3 to 1
    b. Falls from 1 to 5/6
    c. Remains constantt 2/3
    d. Remains constant at 1
    e. Falls from 1 to 1/3

8) If current disposable income was zero
    a. Consumption is zero
    b. Dissaving is 200 or saving is –200
    c. The average propensity to consume is one
    d. Consumption cannot be predicted
    e. Saving is 200

9) When disposable income is equal to 600,
    a. Aggregate saving is zero
    b. The average propensity to consume is unity
    c. The break-even level of disposable income is attained
    d. Desired consumption is equal to actual consumption
    e. All of the above

10) When disposal income is equal to 1200,
    a. The marginal propensity to consume is 5/6
    b. There is saving of 200
    c. There is dissaving of 200
    d. Desired consumption expenditures exceed actual consumption by 200
    e. Both c and d