

Name:
Section No.:
SSN:
GSI:

Economics 102
Introduction to Macroeconomics
Prof. Alan Deardorff

Midterm Exam 2

Form 1

March 23, 1998

Instructions

1. Please do not open the exam book until you are told to do so.
2. Place your name, student id, section number and form number on the exam **AND** on the scantron sheet. *This is worth 2 points on the exam.*
3. This exam has 100 points and is 50 minutes long, although you will have 75-80 minutes to complete it. Multiple choice questions are 3 points each. Choose the best answer from those given. There is no penalty for guessing. The point values of all other questions are shown in parentheses.
4. Answers to the multiple choice questions in Part I should be marked on the scantron sheet. Answers to Part II should be written on this exam book.
5. Good luck!

GSI

Axel
Chul
Kishen
Lucie
Reuel
Ufuk

Sections

#209 - Thu 1-2:30	
#208 - Thu 1-2:30	#212 - Thu 2:30-4
#206 - Thu 10-11:30	#210 - Thu 8:30-10
#202 - Thu 10-11:30	#203 - Thu 11:30-1
#204 - Thu 1-2:30	#211 - Thu 2:30-4
#205 - Thu 2:30-4	#207 - Thu 11:30-1

Name, Student Id, Section Number, Form Number on BOTH scantron and exam book (2 pts)

Part 1: Multiple Choice (60 points, 3 each)

Select the **best** answer of those given.

1. If the rate of unemployment falls, which of the following *must* be true?
 - a. The labor force goes up
 - b. The number of employed goes up
 - c. The number of discouraged workers falls
 - d. The number of unemployed workers falls
 - e. None of the above

2. The rate of unemployment tends to be
 - a. about the same across all sectors of the population.
 - b. similar between white females (ages 16 and over) and black females (ages 16 and over).
 - c. lower among teenagers (ages 16-19) because they enter and leave the labor force so often.
 - d. substantially higher for white females (ages 16 and over) than for black males (ages 16 and over).
 - e. similar between white males (ages 16 and over) and white females (ages 16 and over).

3. According to Mankiw's theories of the natural rate of unemployment, which of the following is *true*?
- a. The natural rate of unemployment is a constant, since changes in such things as minimum wage laws or the extent of unionization in an economy only have temporary effects on employment.
 - b. The natural rate of unemployment fluctuates year-to-year due to the short run fluctuations in output.
 - c. The introduction and consequent widespread use of efficiency wages both increased worker effort and reduced the natural rate of unemployment.
 - d. Government policies that help reduce the time it takes to match workers with firms will reduce the natural rate of unemployment.
 - e. Unemployment insurance lowers the natural rate by allowing unemployed workers more time to find a new job.
4. Assume the required reserve ratio is 20% while banks do not hold excess reserves and households do not hold cash. Suppose that the Fed now reduces this required ratio to 10% but banks now hold 10% in excess reserves. What is true of the money multiplier?
- a. It is unchanged at 5
 - b. It is unchanged at 20
 - c. It has risen from 5 to 10
 - d. All of the above
 - e. None of the above
5. To be useful as a money, a commodity should
- a. Be widely wanted
 - b. Be durable
 - c. Have a high ratio of value to weight
 - d. All of the above
 - e. None of the above