

Practice Questions from January 21st

1. The consumer price index was 140.3 in 1992 and 144.5 in 1993. Therefore, the rate of inflation in 1993 was about:
 - (a) 6.7 percent.
 - (b) 3.0 percent.
 - (c) 1.2 percent.
 - (d) 13.6 percent.
2. Suppose nominal GDP in 1996 was \$100 billion and in 1998 it was \$260 billion. The GDP deflator in 1996 was 100 and in 1998 it was 180. Between 1996 and 1998, real GDP rose by:
 - (a) 160 percent.
 - (b) 44 percent.
 - (c) 37 percent.
 - (d) 12 percent.
3. If the consumer price index falls from 120 to 116 in a particular year, the economy has experienced:
 - (a) inflation of 4 percent.
 - (b) inflation of 3.33 percent.
 - (c) deflation of 3.33 percent.
 - (d) deflation of 4 percent.
4. Real GDP in 2012 is \$80 billion and nominal GDP is \$240 billion. If the GDP deflator is equal to 100 in the base year, in 2012 is:
 - (a) 100.
 - (b) 200.
 - (c) 240.
 - (d) 300.
5. Real GDP was \$9,950 billion in Year 1 and \$10,270 billion in Year 2. The population rose from 270 million in Year 1 to 275 million in Year 2. What was the approximate increase in real GDP per capita rate from Year 1 to Year 2?
 - (a) 1.3 percent.
 - (b) 2.1 percent.
 - (c) 3.3 percent.
 - (d) 4.2 percent.
6. Suppose the CPI at the beginning of 2000 is 100. During 2000, there is inflation of 23%. During 2001, there is deflation of 14%. What is the CPI at the end of 2001?
 - (a) 112.85.
 - (b) 105.78.
 - (c) 109.00.
 - (d) 140.22.

7. Suppose the rate of inflation for some specific year was 10 percent. If the CPI for that year was 125.4, the previous year's CPI must have been:
- (a) 137.9.
 - (b) 112.9.
 - (c) 115.4.
 - (d) 114.0.
8. Suppose both nominal GDP and real GDP are currently \$3000. If the GDP deflator increases by 10% during each of the next three years, but nominal GDP remains unchanged, what will be the value of real GDP in three years from now?
- (a) \$2307.69.
 - (b) \$2100.00.
 - (c) \$2253.94.
 - (d) \$2727.27.
9. If, in one year, real GDP grows by 10% and the population grows by 5%, then GDP per capita has grown by about
- (a) 5%.
 - (b) 2.5%.
 - (c) 4.8%.
 - (d) 2%.
10. Suppose real GDP in a particular year is \$300 billion and nominal GDP is \$270 billion. Assuming the GDP deflator is equal to 100 in the base year, the GDP deflator in this particular year is
- (a) 90.
 - (b) 111.
 - (c) 130.
 - (d) 30.