

Practice Questions from January 28th

1. The presence of discouraged workers:
 - (a) increases the size of the labor force, but does not affect the unemployment rate.
 - (b) reduces the size of the labor force, but does not affect the unemployment rate.
 - (c) may cause the official unemployment rate to understate the amount of unemployment.
 - (d) may cause the official unemployment rate to overstate the amount of unemployment.
2. Assuming the total population is 25 million, the civilian labor force is 20 million, and 17 million workers are employed full-time, and 2 million workers are employed part-time, the unemployment rate:
 - (a) is 24 percent.
 - (b) is 5 percent.
 - (c) is 15 percent.
 - (d) is 3 percent.
3. The phase of the business cycle in which unemployment reaches its maximum is called:
 - (a) the peak.
 - (b) a recovery.
 - (c) a recession.
 - (d) the trough.
4. Suppose that in 2004, the labour force was 1 million and unemployment was 5%. In 2005, the labour force grew by 5%, but the number of unemployed remained constant. It can be concluded that, in 2005, unemployment was about:
 - (a) 3.8%
 - (b) 5.5%
 - (c) 4.8%
 - (d) 5.2%
5. If incomes in a certain population are given by (4,6,12,16,18,20,26,28,34,36), what is the share of total income earned by the poorest quintile?
 - (a) 1%.
 - (b) 5%.
 - (c) 10%.
 - (d) 20%.
6. If country A has a Gini coefficient of 0.3 and country B has a Gini coefficient of 0.28, it can be concluded that:
 - (a) Country A Lorenz dominates country B.
 - (b) Country B Lorenz dominates country A.
 - (c) Country A may Lorenz dominate country B.
 - (d) Country B may Lorenz dominate country A.

7. Suppose that country A has incomes of (10,10,10), country B has incomes of (1,2,3), and country C has incomes of (0,0,1). Which country would have the highest Gini coefficient?
- (a) Country A.
 - (b) Country B.
 - (c) Country C.
 - (d) Can't be determined on the basis of this information.
8. Suppose that the Lorenz curve for country A intersects the Lorenz curve for country B. Which of the following criteria would be able to rank these two countries in terms of inequality levels?
- (a) Lorenz dominance.
 - (b) The Gini coefficient.
 - (c) Both A and B.
 - (d) Neither A nor B.
9. Suppose incomes in country A are (0,0,0,10), incomes in country B are (1,2,3,4), incomes in country C are (2.5,2.5,2.5,2.5). Country _____ will Lorenz dominate the other two, while country _____ will have a higher Gini coefficient than the other two.
- (a) A; A.
 - (b) C; A.
 - (c) C; B.
 - (d) B; C.
10. If the Lorenz curve for distribution A lies above that for distribution B, it can be concluded that: ?
- (a) The Gini coefficient for distribution B is greater than that for distribution A.
 - (b) Distribution B has a higher level of equality than distribution A.
 - (c) Distribution B Lorenz dominates distribution A.
 - (d) The Gini coefficient for distribution B is less than that for distribution A.