**JHU ECON 602:**

**MACROECONOMIC THEORY AND POLICY**

**(Fall 022)**

**Practice Quiz 1**

**(for Intro and Part A)**

1. **State whether the following statements are True, False or Uncertain. For statements that are False, correct the error or errors. For statements that are Uncertain, explain why that is the case.**
2. The unemployment rate is the ratio of the unemployed to the labor force.
3. The U.S. civilian labor force is about half as large as its population.
4. In the United States, the **average duration of unemployment**—the length of time people spend unemployed—is 2 years.
5. A ‘discouraged worker’ is one who is not very good at his or her job and has become discouraged as a result.
6. The employment rate is the ratio of employment to the labor force.
7. The Phillips Curve is the negative relationship between the inflation rate and the unemployment rate.
8. In the United States, expectations of inflation that became de-anchored during the 1970s and 1980s became re-anchored in the mid-1990s because central banks cut policy interest rates to the zero lower bound.
9. The expected present discounted valueof a sequence of future payments is the value in the future of this expected sequence of payments.
10. The higher the nominal interest rate, the higher the value today if a dollar received next year.
11. Discount bonds are bonds that promise a single payment at maturity called the face value.
12. Coupon bonds are bonds that promise multiple payments before maturity but no payment at maturity.
13. Equilibrium in financial markets requires that the expected rate of return from holding stocks for one year be the same as the rate of return on one-year bonds plus the equity premium.
14. Economists say that since 1960, the United States has become a much more open economy because it allows Chinese student to attend U.S. universities.
15. Tradable goods are goods that compete with foreign goods in either domestic markets or foreign markets.
16. Since a country cannot export more than it produces, the ratio of exports to GDP will always be less than one.
17. The real exchange rate is the price of domestic goods relative to foreign goods, whereas the nominal exchange rate is the price of the domestic currency in terms of foreign currency.
18. A nominal appreciation is an increase in the price of the domestic currency in terms of a foreign currency, while a nominal depreciation is decrease in the price of the foreign currency in terms of the domestic currency,
19. The U.S. dollar has steadily depreciated against the U.K. pound over the past four decades, reflecting large U.S. current account deficits over this period.
20. According to economists, a real appreciation is when someone really admires your fine qualities.
21. In September 1993 Brazilian bonds were paying a monthly interest rate of 36.9% while US bonds paid 0.2% monthly; hence Brazilian bonds were a much better investment.
22. **Short answers**
23. What is the yield curve? What is the normal slope of the yield curve and why?
24. On what factors does consumption depend, and why?
25. On what factors does investment depend, and why?
26. What do economists mean by openness in goods, financial and factor markets?
27. What is the interest rate parity condition?
28. **Get the Picture**
29. Which variable do you think the chart below shows: (i) GDP growth in the United States; (ii) inflation rate in the United States; (iii) The unemployment rate in the United States; (iv) none of the above.



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