

Test Your Understanding of Macroeconomic Indicators

Answer the questions and briefly explain your answers.

1. The unemployment rate and employment both go up. Ellen says that it is not possible for both to rise at the same time. Is Ellen correct or incorrect? Why?
2. True, false or uncertain, and explain why? “Gross domestic product measures the amount of wealth in the economy.”
3. True, false or uncertain, and explain why? “A decrease in gross domestic product must reduce a person’s standard of living.”
4. True, false or uncertain, and explain why? “If nominal GDP increases by 5 percent and the price level increases by 7 percent, real GDP has decreased.”
5. True, false or uncertain, and explain why? “In preparing an index of prices, it is important that all commodities entering the index be given equal weight.”
6. True, false or uncertain, and explain why? “*Frictional* and *structural* unemployment are two words for the same thing.”

Several questions come from Phillip Saunders, *Introduction to Macroeconomics: Student Workbook*, 18th ed. (Bloomington, Ind., 1998). Copyright 1998 Phillip Saunders. All rights reserved. Betty Shackleford, Maconaquah High School, Bunker Hill, Ind., and Kathleen Whitsett, Princeton High School, Cincinnati, Ohio, contributed to this activity.

7. Why does unanticipated inflation help borrowers and hurt lenders?

8. True, false or uncertain, and explain why? “Inflation always increases when unemployment decreases.”

9. True, false or uncertain, and explain why? “If the economy is at full employment, the unemployment rate is zero.”

10. True, false or uncertain, and explain why? “Seasonal unemployment is a continual worry because some people are out of work on a regular basis.”