Correct answers are indicated by ALL CAPITALS in the first few words of the correct choice.

1. Stagflation refers to the simultaneous existence of:
   A. HIGH INFLATION AND high unemployment.
   B. high inflation and low unemployment.
   C. falling inflation and rising unemployment.
   D. low inflation and high unemployment.
   E. low inflation and low unemployment.

2. If the nominal rate of interest is 10 percent and the rate of inflation is 20 percent, the real rate of interest is:
   A. 10 percent.
   B. MINUS 10 PERCENT.
   C. 30 percent.
   D. minus 30 percent.
   E. indeterminate.

3. Linking increases in wage levels to increases in price is termed:
   A. accommodation.
   B. INDEXATION.
   C. protection.
   D. insurance.
   E. immunization.

4. The Phillips curve plots the relationship between:
   A. UNEMPLOYMENT AND WAGE INFLATION.
   B. unemployment and output.
   C. aggregate demand and aggregate supply.
   D. wage inflation and output.
   E. employment and wage inflation.

5. Inflation is much more of a problem when it is:
   A. not a surprise.
   B. less than 100 percent per year.
   C. UNANTICIPATED.
   D. more than 100 percent per year.
   E. anticipated.