

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.