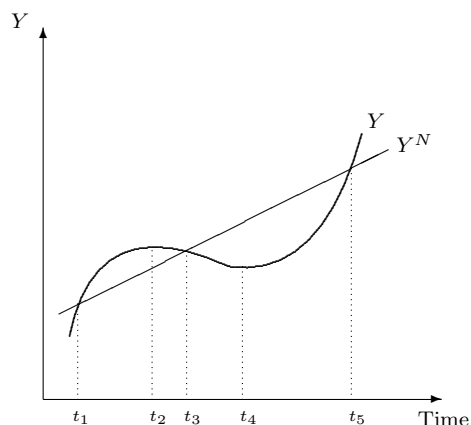


Practice Exam Questions - Chapter 1

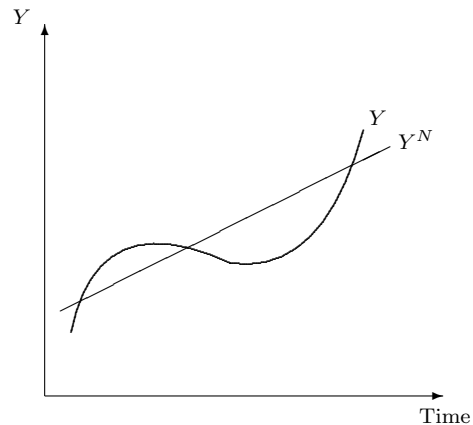
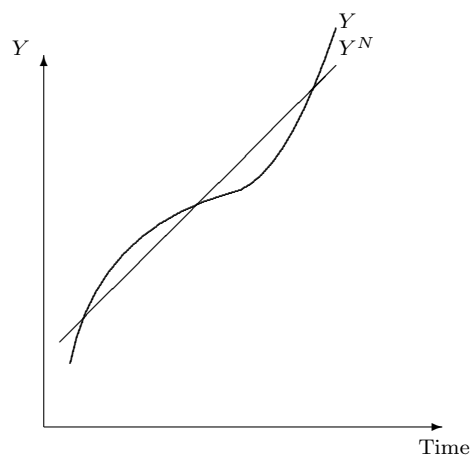
1 True, False or Uncertain

Answer each of the following questions either true, false, or uncertain and explain your answer. The *explanation* is the most important part of your answer.



The following True, False or Uncertain questions are based on the actual real GDP and natural real GDP graph shown below.

1. From time t_4 to time t_5 the unemployment rate is rising.
2. At time t_2 the actual rate of unemployment is below the natural rate of unemployment.
3. The inflation rate remained constant over the period t_1 to t_5 .
4. Time t_3 shows the peak of the business cycle.
5. Time t_2 and t_4 are turning points in the business cycle.

Economy 1Economy 2

6. Economic growth is faster in Economy 1 than in Economy 2.
7. Economy 2 experiences more volatile business cycles than Economy 1.