

ECO202-04
Weekly Class Activity
Concept Check
January 25, 2018

Name:

1. If real GDP in a small country in 2015 is \$8 billion and real GDP in the same country in 2016 is \$8.3 billion, the growth rate of real GDP between 2015 and 2016
 - A. is 3.6%.
 - B. is 3.0%.
 - C. is 3.75%.
 - D. cannot be determined from the information given.

2. What is investment in a closed economy if you have the following economic data?
$$Y = \$10 \text{ trillion}$$
$$C = \$5 \text{ trillion}$$
$$G = \$2 \text{ trillion}$$
 - A. \$3 trillion
 - B. \$5 trillion
 - C. \$2 trillion
 - D. cannot be determined without information on taxes (T)

3. The branch of economics which studies the behavior of entire economies and policies that affect the economy as a whole is called
 - A. macroeconomics.
 - B. normative economics.
 - C. microeconomics.
 - D. public economics.

4. If the CPI rises from 125 to 130 between two consecutive years, by how much has the cost of living changed between these two years? (Hint: the inflation rate determines the change in cost of living)

5. What is the difference between a closed economy and an open economy? Give an example for each.
6. Consider an economy with only two goods Roadsters and SUVs. The diagram below illustrates the production possibility frontier (PPF) for such an economy. _____ is (are) unattainable with current resources.
- Points A and C
 - Point B
 - Point C
 - Point A
-
7. The table below shows the number of labor hours required to produce a cell phone and a board foot of lumber in Estonia and Finland.
- | | One Cell Phone | Lumber (per board foot) |
|---------|----------------|-------------------------|
| Estonia | 40 hours | 8 hours |
| Finland | 16 hours | 4 hours |
- Estonia has an absolute advantage in the production of _____ and a comparative advantage in the production of _____.
- one cell phone; lumber
 - both products; both products
 - both products; lumber
 - both products; one cell phone