

1. The Vice President of the U.S. is \_\_\_\_\_.
2. What does NAFTA stand for? \_\_\_\_\_
3. The population of the U.S is about \_\_\_\_\_.

Answer four (4) of the following six (6) questions:

1. Explain the following terms: inflation, deflation, nominal vs. real. What are the potential effects of inflation and deflation? Why do we want neither?
2. What is meant by unemployment vs. full employment? What terms do we use to describe unemployment? How can some unemployment be good?
3. What is meant by investment in the economy or GDP? What are the determinants? How is investment important for understanding changes in the economy?
4. Explain/describe what it means to say GDP can be measured by the expenditure or output approach and by the income or allocations approach. What are the key elements of each approach?
5. What is the multiplier effect? How are the MPC and MPS related to the multiplier? When the MPC is .8 by how much will GDP change if there is an \$8 change in investment? What if the MPC =  $\frac{2}{3}$ ?
6. What is the law of demand? What are the factors which determine demand? What is the law of supply? What are the factors which determine supply? What does the following table show?

Thousands of Bushels Demanded	Price per Bushel	Thousands of Bushels Supplied
85	\$3.40	72
80	3.70	73
75	4.00	75
70	4.30	77
65	4.60	79
60	4.90	81