Indicate the answer choice that best completes the statement or answers the question.

1. The CPI differs from the GDP deflator in that
   a. the CPI is a price index, while the GDP deflator is an inflation index.
   b. substitution bias is not a problem with the CPI, but it is a problem with the GDP deflator.
   c. increases in the prices of foreign produced goods that are sold to U.S. consumers show up in the CPI but not in the GDP deflator.
   d. increases in the prices of domestically produced goods that are sold to the U.S. government show up in the CPI but not in the GDP deflator.

2. Most, but not all, athletic apparel sold in the United States is imported from other nations. If the price of athletic apparel increases, the GDP deflator will
   a. increase less than will the consumer price index.
   b. increase more than will the consumer price index.
   c. not increase, but the consumer price index will increase.
   d. increase, but the consumer price index will not increase.

3. If the nominal interest rate is 8 percent and the rate of inflation is 3 percent, then the real interest rate is
   a. -5 percent.
   b. 1.67 percent.
   c. 5 percent.
   d. 11 percent.

4. The consumer price index was 200 in 2012 and 208 in 2013. The nominal interest rate during this period was 9 percent. What was the real interest rate during this period?
   a. 5.00 percent
   b. 1.00 percent
   c. 5.15 percent
   d. 13.00 percent

5. The average income in a rich country
   a. is about 5 times that in a poor country. Further, people in rich countries have longer life expectancy.
   b. is about 5 times that in a poor country. However, people in rich countries have about the same life expectancy as those in poor countries.
c. is more than ten times that in a poor country. Further, people in rich countries have longer life expectancy.

d. is more than ten times that in poor country. However, people in rich countries have about the same life expectancy as those in poor countries.

6. Over the last century, U.S. real GDP per person grew at a rate of about
   a. 2 percent per year, so that it is now 2 times as high as it was a century ago.
   b. 2 percent per year, so that it is now 8 times as high as it was a century ago.
   c. 4 percent per year, so that it is now 2 times as high as it was a century ago.
   d. 4 percent per year, so that it is now 8 times as high as it was a century ago.

7. In 2012, the imaginary nation of Dorados had a population of 8,000 and real GDP of 3,000,000. During the year its real GDP grew by about 2.9%. Which of the following sets of growth rates is consistent with this growth in real GDP?
   a. 2% population growth and 6% real GDP growth
   b. 6% population growth and 2% real GDP growth
   c. 4% population growth and 7% real GDP growth
   d. 7% population growth and 4% real GDP growth

Scenario 25-1. An economy’s production form takes the form \( Y = AF(L, K, H, N) \).

8. Refer to Scenario 25-1. \( K \) represents the quantity of
   a. human capital only.
   b. physical capital only.
   c. human capital and physical capital combined.
   d. nonrenewable natural resources.

9. Refer to Scenario 25-1. In the production function, which of the following represents technology?
   a. \( A \)
   b. \( K \)
   c. \( H \)
   d. \( N \)

10. “When workers already have a large quantity of capital to use in producing goods and services, giving them an additional unit of capital increases their productivity only slightly.” This statement
    a. represents an unconventional view of the production process.
    b. is an assertion that capital is subject to increasing returns.
    c. is made under the assumption that the quantities of human capital, natural resources, and technology are being held constant.
    d. All of the above are correct.