

Unit 2 Progress Check: FRQ

Name _____

1. Include correctly labeled diagrams, if useful or required, in explaining your answers. A correctly labeled diagram must have all axes and curves clearly labeled and must show directional changes. If the question prompts you to “Calculate,” you must show how you arrived at your final answer.

Product	Market Basket of Goods	Prices	
		2010	2015
Mocha coffee	100 cups	\$2.00 per cup	\$2.50 per cup
Sweet pudding	50 quarts	\$1.50 per quart	\$2.20 per quart
Cassava leaf salad	25 packages	\$1.00 per package	\$1.20 per package

The nation of Kona cultivates coffee beans and cassava, from which all their consumer goods are produced.

- (a) Calculate the cost of the market basket of goods in the table in **2010** and in **2015**. Show your work.
- (b) Use **2010** as the base year to calculate the price indices for **2010** and **2015** for the market basket of goods in the table. Show your work.
- (c) In order for a citizen of Kona to maintain the same standard of living between **2010** and **2015**, what percentage change in nominal income would be needed? Explain.

 Please respond on separate paper, following directions from your teacher.

2. Include correctly labeled diagrams, if useful or required, in explaining your answers. A correctly labeled diagram must have all axes and curves clearly labeled and must show directional changes. If the question prompts you to “Calculate,” you must show how you arrived at your final answer.

The table below shows unemployment and labor force statistics for an economy.

Actual rate of unemployment	3%
Natural rate of unemployment	4%
Population of the country	125 million
Number of people employed	97 million
Number of people unemployed	3 million



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Number of people employed part time	5 million
Number of discouraged workers	2 million

- (a) Calculate the size of the labor force. Show your work.
- (b) Calculate the labor force participation rate. Show your work.
- (c) Given the state of the economy described in the table, is actual real output less than, greater than, or equal to potential real output? Explain.
- (d) Calculate what the cyclical unemployment rate would be if the actual rate of unemployment increased to 5 percent. Show your work.
- (e) Suppose discouraged workers reenter the labor force and find employment. Will the actual rate of unemployment increase, decrease, or stay the same?



Please respond on separate paper, following directions from your teacher.