Pool Canvas

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Name Testbank Chapter 2: The Data of Macroeconomics
Description Question pool for Testbank Chapter 2: The Data of Macroeconomics
Instructions

Modify

Add Question Here

Question 1 **Multiple Choice** **0 points** Modify Remove

Question
The economic statistic used to measure the level of prices is:

Answer
- GDP.
- ✓ CPI.
- GNP.
- real GDP.

Add Question Here

Question 2 **Multiple Choice** **0 points** Modify Remove

Question
The statistic used by economists to measure the value of economic output is:

Answer
- the CPI.
- ✓ GDP.
- the GDP deflator.
- the unemployment rate.

Add Question Here

Question 3 **Multiple Choice** **0 points** Modify Remove

Question
GDP is ***all*** of the following ***except*** the total:

Answer
- ✓ expenditure of everyone in the economy.
- income of everyone in the economy.
- expenditure on the economy's output of goods and services.
- output of the economy.

Add Question Here

Question 4 **Multiple Choice** **0 points** Modify Remove

Question
The total income of everyone in the economy is exactly equal to the total:

Answer ✓ expenditure on the economy's output of goods and services.
consumption expenditures of everyone in the economy.
expenditures of all businesses in the economy.
government expenditures.

Add Question Here

Question 5 **Multiple Choice** **0 points** Modify Remove

Question
An economy's _____ equals its _____.

Answer consumption; income
consumption; expenditure on goods and services
expenditure on goods; expenditures on services
✓ income; expenditure on goods and services

Add Question Here

Question 6 **Multiple Choice** **0 points** Modify Remove

Question
All of the following are measures of GDP ***except*** the total:

Answer ✓ expenditures of all businesses in the economy.
income from all production in the economy.
expenditures on all final goods produced.
value of all final production.

Add Question Here

Question 7 **Multiple Choice** **0 points** Modify Remove

Question
It is a national income accounting rule that all expenditure on purchases of products is necessarily equal to:

Answer profits of firms.
wages of employees.
✓ income of the producers of the products.
income of employees.

Add Question Here

Question 8 **Multiple Choice** **0 points** Modify Remove

Question
Two equivalent ways to view GDP are as the:

Answer total payments made to all workers in the economy or the total profits of all firms and businesses in the economy.
total expenditures on all goods produced in the economy or the total income earned from producing all services in the economy.
total profits of all firms and businesses in the economy or the total consumption of goods and services by all households in the economy.
✓ total income of everyone in the economy or the total expenditure on the economy's output of goods and services.

Add Question Here

Question 9 **Multiple Choice** **0 points** Modify Remove

Question
In the circular flow model, the flow of dollars from firms to households is paid _____ and the flow of dollars from households to firms is paid _____.

Answer
- ✓ as wages and profits; for goods and services
- for value added; as imputed values
- in current dollars; in constant dollars
- as interest and dividends; for depreciation and taxes

Add Question Here

Question 10 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is a flow variable?

Answer
- wealth
- the number unemployed
- government debt
- ✓ income

Add Question Here

Question 11 **Multiple Choice** **0 points** Modify Remove

Question
Which of the following is a stock variable?

Answer
- ✓ wealth
- consumption
- investment
- income

Add Question Here

Question 12 **Multiple Choice** **0 points** Modify Remove

Question
All of the following are a stock ***except***:

Answer
- a consumer's wealth.
- ✓ the government budget deficit.
- the number of unemployed people.
- the amount of capital in the economy.

Add Question Here

Question 13 **Multiple Choice** **0 points** Modify Remove

Question
All of the following are a flow ***except***:

Answer
- the number of new automobile purchases.
- the number of people losing their jobs.
- business expenditures on plant and equipment.

✓ the government debt.

Add Question Here

Question 14 **Multiple Choice** **0 points** Modify Remove

Question
The amount of capital in an economy is a _____ and the amount of investment is a _____.

Answer
- flow; stock
- ✓ stock; flow
- final good; intermediate good
- intermediate good; final good

Add Question Here

Question 15 **Multiple Choice** **0 points** Modify Remove

Question
The market value of all final goods and services produced within an economy in a given period of time is called:

Answer
- industrial production.
- ✓ gross domestic product.
- the GDP deflator.
- general durable purchases.

Add Question Here

Question 16 **Multiple Choice** **0 points** Modify Remove

Question
GDP is the market value of all _____ goods and services produced within an economy in a given period of time.

Answer
- used
- intermediate
- consumer
- ✓ final

Add Question Here

Question 17 **Multiple Choice** **0 points** Modify Remove

Question
To compute the value of GDP:

Answer
- ✓ goods and services are valued at market prices.
- the sale of used goods is included.
- production for inventory is not included.
- goods and services are valued by weight.

Add Question Here

Question 18 **Multiple Choice** **0 points** Modify Remove

Question
Assume that total output consists of four apples and six oranges and that apples cost $1 each and oranges cost $0.50 each. In this case, the value of GDP is:

Answer

ten pieces of fruit.
✓ $7.
$8.
$10.

Add Question Here

Question 19 **Multiple Choice** **0 points** Modify Remove

Question
All of the following transactions that took place in 2009 would be included in GDP for 2009 ***except*** the purchase of a:

Answer

book printed in 2009, entitled ***The Year 3000***.
✓ 2001 Jeep Cherokee.
year 2010 calendar printed in 2009.
ticket to see the movie ***2001***.

Add Question Here

Question 20 **Multiple Choice** **0 points** Modify Remove

Question
Since GDP includes only the additions to income, not transfers of assets, _____ are not included in the computation of GDP.

Answer

final goods
✓ used goods
consumption goods
goods produced for inventory

Add Question Here

Question 21 **Multiple Choice** **0 points** Modify Remove

Question
When a firm sells a product out of inventory, GDP:

Answer

increases.
decreases.
✓ is not changed.
increases or decreases, depending on the year the product was produced.

Add Question Here

Question 22 **Multiple Choice** **0 points** Modify Remove

Question
When a firm sells a product out of inventory, investment expenditures _____ and consumption expenditures _____.

Answer

increase; decrease
✓ decrease; increase
decrease; remain unchanged
remain unchanged; increase

Add Question Here

Question 23 **Multiple Choice** **0 points** Modify Remove

Question
Assume that a bakery hires more workers and pays them wages and that the workers produce more bread. GDP increases in ***all*** of the following cases ***except*** when the bread:

Answer
- is sold to households.
- is stored away for later sale.
- ✓ grows stale and is thrown away.
- is sold to other firms.

Add Question Here

Question 24 **Multiple Choice** **0 points** Modify Remove

Question
When bread is baked but put away for later sale, this is called:

Answer
- waste.
- saving.
- fixed investment.
- ✓ investment in inventory.

Add Question Here

Question 25 **Multiple Choice** **0 points** Modify Remove

Question
Assume a rancher sells a quarter-pound of meat to McDonald's for $1 and that McDonald's sells you a hamburger made from that meat for $2. In this case, the value included in GDP should be:

Answer
- $0.50.
- $1.
- ✓ $2.
- $3.

Add Question Here

Question 26 **Multiple Choice** **0 points** Modify Remove

Question
Assume that a tire company sells four tires to an automobile company for $400, another company sells a compact disc player for $500, and the automobile company puts all of these items in or on a car that it sells for $20,000. In this case, the amount from these transactions that should be counted in GDP is:

Answer
- ✓ $20,000.
- $20,000 less the automobile company's profit on the car.
- $20,900.
- $20,900 less the profits of all three companies on the items that they sold.

Add Question Here

Question 27 **Multiple Choice** **0 points** Modify Remove

Question
The value added of an item produced refers to:

Answer
- a firm's profits on the item sold.
- the value of the labor input in the production of an item.
- the value of a firm's output less the value of its costs.
- ✓ the value of a firm's output less the value of the intermediate goods that the firm purchases.

Add Question Here

Question 28 **Multiple Choice** **0 points** Modify Remove

Question
Assume that a firm buys all the parts that it puts into an automobile for $10,000, pays its workers $10,000 to fabricate the automobile, and sells the automobile for $22,000. In this case, the value added by the automobile company is:

Answer
- $10,000.
- ✓ $12,000.
- $20,000.
- $22,000.

Add Question Here

Question 29 **Multiple Choice** **0 points** Modify Remove

Question
In computing GDP,

Answer
- expenditures on used goods are included.
- production added to inventories is excluded.
- the amount of production in the underground economy is imputed.
- ✓ the value of intermediate goods is included in the market price of the final goods.

Add Question Here

Question 30 **Multiple Choice** **0 points** Modify Remove

Question
To avoid double counting in the computation of GDP, only the value of _____ goods are included.

Answer
- ✓ final
- used
- intermediate
- investment

Add Question Here

Question 31 **Multiple Choice** **0 points** Modify Remove

Question
Imputed values included in GDP are the:

Answer
- market prices of goods and services.
- ✓ estimated value of goods and services that are not sold in the marketplace.
- price of goods and services measured in constant prices.
- price of goods and services measured in current prices.

Add Question Here

Question 32 **Multiple Choice** **0 points** Modify Remove

Question
An example of an imputed value in the GDP is the:

Answer
- value-added of meals cooked at home.
- ✓ housing services enjoyed by homeowners.
- services of automobiles to their owners.
- value of illegal drugs sold.

Add Question Here

Question 33 **Multiple Choice** **0 points** Modify Remove

Question
In principle, the GDP accounts should—but do not—have an imputation for:

Answer
- housing services enjoyed by homeowners.
- ✓ rental services of automobiles driven by owners.
- meals cooked in restaurants.
- housing services enjoyed by renters.

Add Question Here

Question 34 **Multiple Choice** **0 points** Modify Remove

Question
The underground economy:

Answer
- is included in the latest GDP accounts.
- includes only illegal activities.
- ✓ includes domestic workers for whom Social Security tax is not collected.
- excludes the illegal drug trade.

Add Question Here

Question 35 **Multiple Choice** **0 points** Modify Remove

Question
Real GDP is measured in _____ dollars ____ time.

Answer
- current; at a point in
- current; per unit of
- constant; at a point in
- ✓ constant; per unit of

Add Question Here

Question 36 **Multiple Choice** **0 points** Modify Remove

Question
Nominal GDP is measured in _____ dollars _____ time.

Answer
- current; at a point in
- ✓ current; per unit of
- constant; at a point in
- constant; per unit of

Add Question Here

Question 37 **Multiple Choice** **0 points** Modify Remove

Question
Nominal GDP means the value of goods and services is measured in _____ prices.

Answer
- ✓ current
- real
- constant
- average

Add Question Here

Question 38 **Multiple Choice** **0 points** Modify Remove

Question
Real GDP means the value of goods and services is measured in _____ prices.

Answer
- current
- actual
- ✓ constant
- average

Add Question Here

Question 39 **Multiple Choice** **0 points** Modify Remove

Question
Assume that apples cost $0.50 in 2002 and $1 in 2009, whereas oranges cost $1 in 2002 and $1.50 in 2009. If four apples were produced in 2002 and five in 2009, whereas three oranges were produced in 2002 and four in 2009, then real GDP (in 2002 prices) in 2009 was:

Answer
- $5.
- ✓ $6.50.
- $9.50.
- $11.

Add Question Here

Question 40 **Multiple Choice** **0 points** Modify Remove

Question
The best measure of the economic satisfaction of the members of a society is:

Answer
- nominal GDP.
- ✓ real GDP.
- the rate of inflation.
- the value of corporate profits.

Add Question Here

Question 41 **Multiple Choice** **0 points** Modify Remove

Question
If nominal GDP in 2009 equals $14 trillion and real GDP in 2009 equals $11 trillion, what is the value of the GDP deflator?

Answer
- 0.79
- 1.03

✓ 1.27
1.30

Add Question Here

Question 42 **Multiple Choice** **0 points** Modify Remove

Question
If the GDP deflator in 2009 equals 1.25 and nominal GDP in 2009 equals $15 trillion, what is the value of real GDP in 2009?

Answer
✓ $12 trillion
$12.5 trillion
$15 trillion
$18.75 trillion

Add Question Here

Question 43 **Multiple Choice** **0 points** Modify Remove

Question
The GDP deflator is equal to:

Answer
✓ the ratio of nominal GDP to real GDP.
the ratio of real GDP to nominal GDP.
real GDP minus nominal GDP.
nominal GDP minus real GDP.

Add Question Here

Question 44 **Multiple Choice** **0 points** Modify Remove

Question
Assume that apples cost $0.50 in 2002 and $1 in 2009, whereas oranges cost $1 in 2002 and $1.50 in 2009. If four apples were produced in 2002 and five in 2009, whereas three oranges were produced in 2002 and five in 2009, then the GDP deflator in 2009, using a base year of 2002, was approximately:

Answer
1.5.
✓ 1.7.
1.9.
2.0.

Add Question Here

Question 45 **Multiple Choice** **0 points** Modify Remove

Question
If nominal GDP grew by 5 percent and real GDP grew by 3 percent, then the GDP deflator grew by approximately _____ percent.

Answer
✓ 2
3
5
8

Add Question Here

Question 46 **Multiple Choice** **0 points** Modify Remove

Question
If nominal GDP increased by 5 percent and the GDP deflator increased by 3 percent, then real GDP _____ by _____ percent.

Answer
- ✓ increased ; 2
- decreased; 2
- increased; 8
- decreased; 8

Add Question Here

Question 47 **Multiple Choice** **0 points** Modify Remove

Question
Nominal GDP measures the value of goods and services in _____ prices, while real GDP measures the value of goods and services in _____ prices.

Answer
- foreign; domestic
- domestic; foreign
- ✓ current; constant
- constant; current

Add Question Here

Question 48 **Multiple Choice** **0 points** Modify Remove

Question
Real GDP is a better measure of economic well-being than nominal GDP, because real GDP:

Answer
- excludes the value of goods and services exported abroad.
- includes the value of government transfer payments.
- ✓ measures changes in the quantity of goods and services produced by holding prices constant.
- adjusts the value of goods and services produced for changes in the foreign exchange rate.

Add Question Here

Question 49 **Multiple Choice** **0 points** Modify Remove

Question
Chain-weighted measures of real GDP make use of prices from:

Answer
- an unchanging base year.
- ✓ a continuously changing base year.
- a base year that is changed approximately every 5 years.
- a base year that is changed approximately every 10 years.

Add Question Here

Question 50 **Multiple Choice** **0 points** Modify Remove

Question
The new chain-weighted measures of real GDP are an improvement over traditional measures because the prices used to compute real GDP are:

Answer

✓ never far out of date.
always from the same base year.
imputed.
chained to the CPI.

Add Question Here

Question 51 **Multiple Choice** **0 points** Modify Remove

Question
The national income accounts identity, for an open economy, is:

Answer

$Y = C + I + G - NX$.
✓ $Y = C + I + G + NX$.
$Y = C + I + G$.
$Y = C + I - G$.

Add Question Here

Question 52 **Multiple Choice** **0 points** Modify Remove

Question
If GDP (measured in billions of current dollars) is $5,465, consumption is $3,657, investment is $741, and government purchases are $1,098, then net exports are:

Answer

$131.
–$131.
$31.
✓ –$31.

Add Question Here

Question 53 **Multiple Choice** **0 points** Modify Remove

Question
If GDP (measured in billions of current dollars) is $5,465, consumption is $3,657, investment is $741, and net exports are –$1,910, then government purchases are:

Answer

✓ $2,977.
$1,910.
–$843.
$1,067.

Add Question Here

Question 54 **Multiple Choice** **0 points** Modify Remove

Question
If real GDP grew by 6 percent and population grew by 2 percent, then real GDP per person grew by approximately _____ percent.

Answer

2
3
✓ 4
8

Add Question Here

Question 55 **Multiple Choice** **0 points** Modify Remove

Question
In the national income accounts, consumption expenditures include all of the following ***except*** household purchases of:

Answer
- durable goods.
- nondurable goods.
- ✓ new residential housing.
- services.

Add Question Here

Question 56 **Multiple Choice** **0 points** Modify Remove

Question
In the national income accounts, the purchase of durables, nondurables, and services by households are classified as:

Answer
- ✓ consumption.
- investment.
- government purchases.
- net exports.

Add Question Here

Question 57 **Multiple Choice** **0 points** Modify Remove

Question
If total consumption (measured in billions of current dollars) equals $3,657, consumption of durable goods is $480, and consumption of nondurable goods is $1,194, then consumption of services is:

Answer
- $1,674.
- $2,463.
- $2,083.
- ✓ $1,983.

Add Question Here

Question 58 **Multiple Choice** **0 points** Modify Remove

Question
In the national income accounts, goods bought for future use are classified as which type of expenditure?

Answer
- services
- ✓ investment
- government purchases
- net exports

Add Question Here

Question 59 **Multiple Choice** **0 points** Modify Remove

Question
If total investment (measured in billions of current dollars) equals $741, business fixed investment is $524, and residential fixed investment is $222, then inventory investment is:

Answer

$5.
✓ –$5.
$15.
–$15.

Add Question Here

Question 60 **Multiple Choice** **0 points** Modify Remove

Question
In the national income accounts, ***all*** of the following are classified as government purchases ***except***.

Answer

✓ payments made to Social Security recipients.
services provided by police officers.
purchases of military hardware.
services provided by U.S. senators.

Add Question Here

Question 61 **Multiple Choice** **0 points** Modify Remove

Question
In the national income accounts, government purchases are goods and services purchased by:

Answer

the federal government.
the federal and state governments.
state and local governments.
✓ federal, state, and local governments.

Add Question Here

Question 62 **Multiple Choice** **0 points** Modify Remove

Question
In the national income accounts, net exports equal:

Answer

exported goods minus imported goods.
✓ exported goods and services minus imported goods and services.
exported goods minus imported services.
exported goods and services plus imported goods and services.

Add Question Here

Question 63 **Multiple Choice** **0 points** Modify Remove

Question
If GDP (measured in billions of current dollars) is $5,465 and the sum of consumption, investment, and government purchases is $5,496, while exports equal $673, imports are:

Answer

$673.
–$673.
✓ $704.
–$704.

Add Question Here

Question 64 **Multiple Choice** **0 points** Modify Remove

Question
All of the following actions are investments in the sense of the term used by macroeconomists *except*.

Answer
- IBM's building a new factory.
- corner candy store's buying a new computer.
- John Smith's buying a newly constructed home.
- ✓ Sandra Santiago's buying 100 shares of IBM stock.

Add Question Here

Question 65 **Multiple Choice** **0 points** Modify Remove

Question
The investment component of GDP includes all of the following *except*:

Answer
- ✓ purchases of corporate stock.
- spending on new plants and equipment.
- purchases of new housing by households.
- changes in business inventories.

Add Question Here

Question 66 **Multiple Choice** **0 points** Modify Remove

Question
In 2007, the GDP of the United States totaled about:

Answer
- $14 billion.
- $140 billion.
- ✓ $14 trillion.
- $140 trillion.

Add Question Here

Question 67 **Multiple Choice** **0 points** Modify Remove

Question
In 2007, GDP per person in the United States was approximately:

Answer
- $6,000.
- $26,000.
- ✓ $46,000.
- $76,000.

Add Question Here

Question 68 **Multiple Choice** **0 points** Modify Remove

Question
In 2007 in the United States, the approximate percentage of GDP that was spent on consumption was approximately:

Answer
- ✓ 67 percent.
- 50 percent.
- 31 percent.
- 16 percent.

Add Question Here

Question 69 **Multiple Choice** **0 points** Modify Remove

Question
In 2007 in the United States, total government purchases per person (in current dollars) amounted to approximately:

Answer
- $1,000.
- ✓ $9,000.
- $13,500.
- $25,600.

Add Question Here

Question 70 **Multiple Choice** **0 points** Modify Remove

Question
In 2007, American net borrowings from abroad, per person, in current dollars, amounted to approximately:

Answer
- $100.
- $220.
- ✓ $2,300.
- $10,000.

Add Question Here

Question 71 **Multiple Choice** **0 points** Modify Remove

Question
GNP equals GDP _____ income earned domestically by foreigners _____ income that nationals earn abroad.

Answer
- plus; plus
- minus; minus
- ✓ minus; plus
- plus; minus

Add Question Here

Question 72 **Multiple Choice** **0 points** Modify Remove

Question
Net national product equals GDP:

Answer
- plus net investment.
- minus net investment.
- plus depreciation.
- ✓ minus depreciation.

Add Question Here

Question 73 **Multiple Choice** **0 points** Modify Remove

Question
As a percentage of GNP, depreciation (also called the consumption of fixed capital) amounts to approximately:

Answer
- ✓ 10 percent.
- 25 percent.
- 50 percent.
- 0 percent.

Add Question Here

Question 74 **Multiple Choice** **0 points** Modify Remove

Question
National income differs from net national product by an amount called:

Answer
- depreciation.
- indirect business taxes.
- ✓ a statistical discrepancy.
- net foreign factor income payments.

Add Question Here

Question 75 **Multiple Choice** **0 points** Modify Remove

Question
The largest component of national income is:

Answer
- corporate profits.
- ✓ compensation of employees.
- proprietors' income.
- net interest.

Add Question Here

Question 76 **Multiple Choice** **0 points** Modify Remove

Question
Disposable personal income:

Answer
- ✓ is computed by subtracting personal tax and nontax payments from personal income.
- is generally greater than personal income.
- includes corporate profits but not dividends.
- does not include government transfers to individuals.

Add Question Here

Question 77 **Multiple Choice** **0 points** Modify Remove

Question
According to the usual seasonal pattern of the U.S. economy, GDP is highest in the quarter of the year that includes:

Answer
- January, February, and March.
- April, May, and June.
- July, August, and September.
- ✓ October, November, and December.

Add Question Here

Question 78 **Multiple Choice** **0 points** Modify Remove

Question
The CPI is determined by computing:

Answer
- an average of prices of all goods and services.
- -the price of a basket of goods and services that changes every year, relative to the same basket in a base year.
- ✓ the price of a fixed basket of goods and services, relative to the price of the same basket in a base year.
- nominal GDP relative to real GDP.

Add Question Here

Question 79 **Multiple Choice** **0 points** Modify Remove

Question
Prices of items included in the CPI are:

Answer
- averaged with the price of every item weighted equally.
- weighted according to amount of the item produced in GDP.
- ✓ weighted according to quantity of the item purchased by the typical household.
- chained to the base year by the year-to-year growth rate of the item.

Add Question Here

Question 80 **Multiple Choice** **0 points** Modify Remove

Question
Assume that apples cost $0.50 in 2002 and $1 in 2009, whereas oranges cost $1 in 2002 and $0.50 in 2009. If ten apples and five oranges were purchased in 2002, and five apples and ten oranges were purchased in 2009, the CPI for 2009, using 2002 as the base year, is:

Answer
- 0.75.
- 0.80.
- 1.
- ✓ 1.25.

Add Question Here

Question 81 **Multiple Choice** **0 points** Modify Remove

Question
The core inflation rate:

Answer
- measures the change in producer prices.
- is measured using a Paasche index.
- ✓ excludes food and energy prices.
- includes the price of exports and includes the price of imports.

Add Question Here

Question 82 **Multiple Choice** **0 points** Modify Remove

Question
Measuring the rate of inflation using a market basket that excludes food and energy prices is preferred by some analysts because this measure called core inflation:

Answer
- provides a real, rather than a nominal, rate of inflation.
- ✓ gives a better measure of ongoing, sustained price changes.
- is more consistent with measures of inflation used in other countries.

fluctuates more than measures of inflation that include food and energy prices.

Add Question Here

Question 83 **Multiple Choice** **0 points** Modify Remove

Question
An increase in the price of goods bought by firms and the government will show up in:

Answer
- the CPI but not in the GDP deflator.
- ✓ the GDP deflator but not in the CPI.
- both the CPI and the GDP deflator.
- neither the CPI nor the GDP deflator.

Add Question Here

Question 84 **Multiple Choice** **0 points** Modify Remove

Question
An increase in the price of imported goods will show up in:

Answer
- ✓ the CPI but not in the GDP deflator.
- the GDP deflator but not in the CPI.
- both the CPI and the GDP deflator.
- neither the CPI nor the GDP deflator.

Add Question Here

Question 85 **Multiple Choice** **0 points** Modify Remove

Question
Unlike the GDP deflator, the CPI includes the prices of:

Answer
- goods purchased by firms.
- goods purchased by governments.
- exported goods.
- ✓ imported goods.

Add Question Here

Question 86 **Multiple Choice** **0 points** Modify Remove

Question
Assume that the market basket of goods and services purchased in 2004 by the average family in the United States costs $14,000 in 2004 prices, whereas the same basket costs $21,000 in 2009 prices. However, the basket of goods and services actually purchased by the average family in 2009 costs $20,000 in 2009 prices, whereas this same basket would have cost $15,000 in 2004 prices. Given this data, a Laspeyres price index of 2009 prices using 2004 as the base year would be:

Answer
- 1.05.
- approximately 1.07.
- approximately 1.33.
- ✓ 1.50.

Add Question Here

Question 87 **Multiple Choice** **0 points** Modify Remove

Question
Assume that the market basket of goods and services purchased in 2004 by the average family in the United States costs $14,000 in 2004 prices, whereas the same basket costs $21,000 in 2009 prices. However, the basket of goods and services actually purchased by the average family in 2009 costs $20,000 in 2009 prices, whereas this same basket would have cost $15,000 in 2004 prices. Given these data, a Paasche index for 2009 using 2004 prices would be:

Answer
- 1.05.
- ✓ approximately 1.07.
- approximately 1.33.
- 1.50.

Add Question Here

Question 88 **Multiple Choice** **0 points** Modify Remove

Question
The CPI is a:

Answer
- ✓ Laspeyres price index.
- Paasche price index.
- Laspeyres quantity index.
- Paasche quantity index.

Add Question Here

Question 89 **Multiple Choice** **0 points** Modify Remove

Question
The GDP deflator is a:

Answer
- Laspeyres price index.
- ✓ Paasche price index.
- Laspeyres quantity index.
- Paasche quantity index.

Add Question Here

Question 90 **Multiple Choice** **0 points** Modify Remove

Question
When prices of different goods are increasing by different amounts, the price index that will rise the fastest is:

Answer
- Fisher's ideal index.
- ✓ the CPI.
- the GDP deflator.
- a Paasche index.

Add Question Here

Question 91 **Multiple Choice** **0 points** Modify Remove

Question
The panel of economists appointed by the Senate Finance Committee estimates that the CPI _____ inflation by approximately _____ percentage point(s) per year.

Answer

✓ overestimates; 1
overestimates; 10
underestimates; 1
underestimates; 10

Add Question Here

Question 92 **Multiple Choice** **0 points** Modify Remove

Question
The number of households interviewed in the monthly employment survey of the U.S. Bureau of Labor Statistics is approximately:

Answer

6,000.
✓ 60,000.
600,000.
6 million.

Add Question Here

Question 93 **Multiple Choice** **0 points** Modify Remove

Question
According to the definition used by the U.S. Bureau of Labor Statistics, a person is ***not*** in the labor force if that person:

Answer

✓ is going to school full time.
is temporarily absent from a job because of illness.
has been temporarily laid off.
is out of a job and looking for work during the previous four weeks.

Add Question Here

Question 94 **Multiple Choice** **0 points** Modify Remove

Question
According to the definition used by the U.S. Bureau of Labor Statistics, people are considered to be unemployed if they:

Answer

are out of a job, but not looking for work.
retired from the labor force before age sixty-five.
✓ do not have a job, but have looked for work in the past four weeks.
are absent from work because of bad weather or illness.

Add Question Here

Question 95 **Multiple Choice** **0 points** Modify Remove

Question
The labor force equals the:

Answer

adult population.
number of employed individuals.
number of unemployed individuals.
✓ number of employed and unemployed individuals.

Add Question Here

Question 96 **Multiple Choice** **0 points** Modify Remove

Question
Assume that the adult population of the United States is 191.6 million, total employment is 117.6 million, and 9.4 million are unemployed. Then the unemployment rate, as normally computed, is approximately _____ percent.

Answer
- 4.9
- ✓ 7.4
- 7.9
- 9.4

Add Question Here

Question 97 **Multiple Choice** **0 points** Modify Remove

Question
If 7 million workers are unemployed, 143 million workers are employed, and the adult population equals 200 million, then the unemployment rate equals approximately _____ percent.

Answer
- 3.5
- ✓ 4.7
- 4.9
- 7

Add Question Here

Question 98 **Multiple Choice** **0 points** Modify Remove

Question
The labor-force participation rate is the percentage of the:

Answer
- adult population that is employed.
- ✓ adult population that is in the labor force.
- labor force that is employed.
- labor force that is unemployed.

Add Question Here

Question 99 **Multiple Choice** **0 points** Modify Remove

Question
If the unemployment rate is 6 percent and the number of employed is 188 million, then the labor force equals _____ million.

Answer
- 11.28
- 176.72
- 188
- ✓ 200

Add Question Here

Question 100 **Multiple Choice** **0 points** Modify Remove

Question
If an increasing proportion of the adult population is retired, then the labor force participation rate:

Answer
will increase.
✓ will decrease.
will remain constant.
may increase, decrease, or remain constant.

Add Question Here

Question 101 **Multiple Choice** **0 points** Modify Remove

Question
If the adult population equals 250 million, of which 145 million are employed and 5 million are unemployed, the labor force participation rate equals _____ percent.

Answer
50
58
✓ 60
67

Add Question Here

Question 102 **Multiple Choice** **0 points** Modify Remove

Question
If the number of employed increases while the number of unemployed does not change, the unemployment rate:

Answer
will increase.
✓ will decrease.
will not change.
may either increase or decrease.

Add Question Here

Question 103 **Multiple Choice** **0 points** Modify Remove

Question
In the United States since the end of World War II:

Answer
the labor force participation rates of both men and women have increased.
the labor force participation rates of both men and women have decreased.
the labor force participation rate of men has increased, while the labor force participation of women has decreased.
✓ the labor force participation rate of men has decreased, while the labor force participation rate of women has increased.

Add Question Here

Question 104 **Multiple Choice** **0 points** Modify Remove

Question
The household survey conducted by the Bureau of Labor Statistics provides estimates of the number of workers _____, while the establishment survey provides estimates of the number of workers _____.

Answer
self-employed; unemployed
unemployed; self-employed
✓ with jobs; on firms' payrolls
on firms' payrolls; with jobs

Add Question Here

Question 105 **Multiple Choice** **0 points** Modify Remove

Question
The employment statistics computed from the establishment survey do NOT include:

Answer
- workers with two jobs.
- ✓ the self-employed.
- workers on firms' payrolls.
- part-time workers on firms' payrolls.

Add Question Here

Question 106 **Multiple Choice** **0 points** Modify Remove

Question
A worker with two jobs is counted:

Answer
- once in both the household and the establishment surveys.
- ✓ once in the household survey, but twice in the establishment survey.
- once in the establishment survey, but twice in the household survey.
- twice in both the household and the establishment surveys.

Add Question Here

Question 107 **Multiple Choice** **0 points** Modify Remove

Question
An estimate of the number of unemployed workers in the economy can be obtained from:

Answer
- both the household and establishment surveys.
- ✓ the household survey, but not from the establishment survey.
- the establishment survey, but not from the household survey.
- neither the household nor the establishment surveys.

Add Question Here

Question 108 **Multiple Choice** **0 points** Modify Remove

Question
An estimate of total employment in the economy can be obtained from:

Answer
- ✓ both the household and establishment surveys.
- the household survey, but not from the establishment survey.
- the establishment survey, but not from the household survey.
- neither the household nor the establishment surveys.

Add Question Here

Question 109 **Multiple Choice** **0 points** Modify Remove

Question
A farmer grows wheat and sells it to a miller for $1; the miller turns the wheat into flour and sells it to a baker for $3; the baker uses the flour to make bread and sells the bread for $6. The value added by the miller is:

Answer
- $1.
- ✓ $2.

$3.
$6.

Add Question Here

Question 110 **Multiple Choice** **0 points** Modify Remove

Question
A woman marries her butler. Before they were married, she paid him $60,000 per year. He continues to wait on her as before (but as a husband rather than as a wage earner). She earns $1,000,000 per year both before and after her marriage. The marriage:

Answer
does not change GDP.
✓ decreases GDP by $60,000.
increases GDP by $60,000.
increases GDP by more than $60,000.

Add Question Here

Question 111 **Multiple Choice** **0 points** Modify Remove

Question
A woman marries her butler. Before they were married, she paid him $60,000 per year. He continues to wait on her as before (but as a husband rather than as a wage earner). She earns $1,000,000 per year both before and after her marriage. If GDP were changed so that it truly measured the sum of all final economic activity, the marriage would:

Answer
decrease GDP.
increase GDP.
✓ leave GDP unchanged.
first decrease and then increase GDP.

Add Question Here

Question 112 **Multiple Choice** **0 points** Modify Remove

Question
A fixed-weight price index like the CPI _____ the change in the cost of living because it _____ take into account that people can substitute less expensive goods for ones that have become more expensive.

Answer
underestimates; does not
overestimates; does
accurately estimates; does
✓ overestimates; does not

Add Question Here

Question 113 **Essay** **0 points** Modify Remove

Question
Exhibit: Totals Recorded for United States (billions of dollars)*

Durable goods consumption	$497
Nondurable goods consumption	1,301
Services consumption	2,342
Business fixed investment	566
Residential fixed investment	224

Inventory investment	7
Federal government purchases	449
State and local government purchases	683
Exports	640
Imports	670
Excess of GNP over GDP	7
Depreciation	658
Indirect business taxes	551
Corporate profits (includes wage accruals less disbursements)	387
Social insurance contributions	556
Net interest	442
Dividends (includes business transfer payments)	162
Government transfers to individuals	837
Personal interest income	694
Personal tax and nontax payments	645

*Note: The numbers given in this exhibit differ from those in Table 2-1 in the body of the text.

Reference: Ref 2-1

(Exhibit: Totals Recorded for United States) What were GDP, consumption expenditures, investment expenditures, government purchases, and net exports?

Answer 6,039, 4,140, 797, 1,132, and -30 billion dollars.

Add Question Here

Question 114 **Essay** **0 points** Modify Remove

Question

Exhibit: Totals Recorded for United States (billions of dollars)*

Durable goods consumption	$497
Nondurable goods consumption	1,301
Services consumption	2,342
Business fixed investment	566
Residential fixed investment	224
Inventory investment	7
Federal government purchases	449
State and local government purchases	683
Exports	640
Imports	670
Excess of GNP over GDP	7
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Dividends (includes business transfer payments)	162
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Personal interest income	694

Personal tax and nontax payments	645

*Note: The numbers given in this exhibit differ from those in Table 2-1 in the body of the text.

Reference: Ref 2-1

(Exhibit: Totals Recorded for United States) What were net national product, national income, personal income, and disposable personal income?

Answer 5,388, 4,837, 5,145, and 4,500 billion dollars.

Add Question Here

Question 115 **Essay** **0 points**

Modify Remove

Question

Exhibit: Totals Recorded for United States (billions of dollars)*

Durable goods consumption	$497
Nondurable goods consumption	1,301
Services consumption	2,342
Business fixed investment	566
Residential fixed investment	224
Inventory investment	7
Federal government purchases	449
State and local government purchases	683
Exports	640
Imports	670
Excess of GNP over GDP	7
Depreciation	658
Indirect business taxes	551
Corporate profits (includes wage accruals less disbursements)	387
Social insurance contributions	556
Net interest	442
Dividends (includes business transfer payments)	162
Government transfers to individuals	837
Personal interest income	694
Personal tax and nontax payments	645

*Note: The numbers given in this exhibit differ from those in Table 2-1 in the body of the text.

Reference: Ref 2-1

(Exhibit: Totals Recorded for United States) What were the approximate ratios of consumption, investment, and government purchases to GDP?

Answer About 69 percent, about 13 percent, and about 19 percent.

Add Question Here

Question 116 **Essay** **0 points**

Modify Remove

Question

Exhibit: Quantity Consumed and Price of Good

	Base Year	Later Year
Price of good A	100	200

Quantity of good A	100	200
Price of good B	100	100
Quantity of good B	100	100

In the exhibit, the citizens of country XYZ come to desire more of good A. As a result, the quantity and price of the good both rise.

a. Compute nominal GDP in the base year and later year.
b. Compute real GDP in the base and later years (in base-year prices).
c. Compute the GDP deflator in the later year, using your answers to parts a and b.-
d. Compute a fixed-weight price index for the later year, using the base-year quantities as weights.
e. Which price index rises faster, the GDP deflator (Paasche) index or the fixed-weight index (Laspeyres) index?

Answer a. Base-year nominal GDP = 20,000.
Later-year nominal GDP = 50,000.
b. Real GDP in base year = 20,000.
Real GDP in later year = 30,000.
c. GNP deflator in later year = 1.667.
d. Fixed-weight index = 1.50.
e. The Paasche index, with current quantity weights, rises faster in this case than the base- year quantity-weighted Laspeyres index.

Add Question Here

Question 117 **Essay** **0 points** Modify Remove

Question
Assume two countries have the same nominal GDP (measured in the same currency using the same accounting rules). Explain at least three reasons why you cannot assume that citizens in each country enjoy approximately the same level of economic well-being.

Answer Some possible, but not all, explanations include:
a. different price levels in the two countries would result in different amounts of real GDP, i.e., different quantities of goods and services available in each country;
b. different-sized populations could result in different quantities of goods and services available per person in each country;
c. different levels of nonmarket production in the two countries would alter the quantity of goods and services available in each country;
d. different amounts of leisure time available (not captured in nominal GDP figures) would cause economic well-being to differ in the two countries;
e. different distributions of income in the two countries could alter the quantity of goods and services available to the typical citizen in each country;
f. different quantities of both positive and negative externalities associated with producing GDP, such as pollution and congestion, which are not measured in GDP, would cause the different levels of eocnomic well-being between the two countries.

Add Question Here

Question 118 **Essay** **0 points** Modify Remove

Question
Economic statistics are not perfect. Explain at least one way in which each of the following statistics as currently calculated in the United States fails to completely or accurately measure the corresponding economic concept (in parentheses):

a. real GDP per person (economic well-being);
b. CPI (cost of living);
c. unemployment rate (involuntary unemployment).

Answer a. The official measure of GDP does not include measurements of leisure time available, nonmarket production, production in the underground economy, the distribution of income, or production externalities (e.g., pollution).
b. The CPI does not allow substitution away from products with rising prices and has difficulty distinguishing between price changes and quality changes in products included in the index.
c. The official unemployment rate does not take into account discouraged workers, part- time workers who desire full-time employment, and workers employed in jobs not matching their skill level, such as taxi drivers with PhDs in physics.

Add Question Here

Question 119 **Essay** **0 points** Modify Remove

Question
There are a number of statistics computed to measure the price level, such as the GDP deflator and the CPI. The choice of which of these measures to use depends in many cases on the specific question in which you are interested. For each of the following situations, state whether the CPI or GDP deflator is a more appropriate measure to use and explain why the statistic is preferred.

a. You are interested in looking at the impact of higher prices of imported oil in the overall cost of living.
b. The government is interested in whether increases in defense spending are affecting the price level.
c. An economic consulting firm is investigating the impact on the aggregate price level of more computers and electronic technology used in production.

Answer a. The CPI is the more appropriate statistic, because the price of imports is not included in the GDP deflator.
b. The GDP deflator is the more appropriate statistic, because the CPI does not include the prices of goods and services purchased by the government sector.
c. The GDP deflator is more appropriate, because the CPI does not include prices of goods and services purchased by businesses or the government sector.

Add Question Here

Question 120 **Essay** **0 points** Modify Remove

Question
One senator criticizes the government for making an inadequate effort to stimulate the economy based on data from the BLS establishment survey that shows the number of jobs in the economy has fallen. Another senator counters that the number of employed workers in the economy has increased over the same period, based on the BLS household survey. Explain how both senators can be correct.

Answer If the number of self-employed workers and workers employed in new start-up firms (who are included in the household survey, but not in the establishment survey) has increased more rapidly than the decline in payroll jobs counted in the establishment survey, then the number of employed workers as measured in the household survey could increase while the number of payroll jobs decreases.

Add Question Here

Question 121 **Essay** **0 points** Modify Remove

Question
There are a number of measures of aggregate economic activity, such as GDP, GNP, national income, personal income, and disposable personal income. Each of these measures can be a good indicator depending on the issue under consideration. For each of the following issues,

give your reasons for selecting one of the measures just mentioned as the best indicator to use in studying the issue:

a. the proportion of income households save;

b. the relative share of earnings going to labor versus capital;

c. the total output of new final goods and services.

Answer a. Disposable personal income provides a measure of the income households have to use for either consumption or saving after they pay taxes.
b. National income provides a measure of the income going to the factors of production.
c. GDP is the most complete measure of the value of newly produced goods and services in the economy. In contrast, personal income includes transfer payments, which do not represent newly produced goods and services.

Add Question Here

Question 122 **Essay** **0 points** Modify Remove

Question

Real GDP per capita is an imperfect measure of economic well-being because it does not value home production or production in the underground economy, among other factors. Give at least two examples that show why the omission of these types of items will make a difference in evaluating economic well-being. One example should explain how the omissions distort comparisons of economic well-being across countries, and the other example should explain how the omission distorts comparisons of economic well-being in the same country over time.

Answer Answers will vary, but one example could show that measured GDP in one country could be much lower than in another country, but the amount of home production in the first country could be very large. In this case, measured real GDP indicates a much larger difference in economic well-being than actually exists between the countries.
The other example could explain how changes in the amount of home production in a country over time make it difficult to compare economic well-being over time. For example, if most people grew their own food initially and then over time moved to commercial agriculture, the increase in real GDP per person would overstate the increase in the amount of goods and services available in the country, since the food grown at home was not counted in real GDP in the early period.

Add Question Here

Question 123 **Essay** **0 points** Modify Remove

Question

	2009	2010
Nominal GDP ($ billions)	$14,700	$15,200
Real GDP ($ billions 2000 chain-weighted)	$12,100	$11,900

Based on the data in the table above, explain what happened to output and prices in the economy between 2009 and 2010.

Answer Real GDP decreased, indicating that the production of final goods and services was lower in 2010 than in 2009. Nominal GDP increased, which indicates that prices, on average, were higher in 2010 than in 2009, given that real GDP decreased.

Add Question Here

Question 124 **Essay** **0 points** Modify Remove

Question
Explain why the value of GDP in 2009 would or would not change as a result of each transaction described below:

a. In 2009, the Smith family purchases a new house that was built in 2009.
b. In 2009, the Jones family purchases a house that was built in 2001.
c. In 2009, a construction company purchases windows to put in the Smith family home that was built in 2009.
d. In 2009, Mr. Jones paints all of the rooms of the Jones family house purchased in 2009.
e. In 2009, Mr. Smith uses an online brokerage service to purchase shares of stock in a construction company.

Answer a. GDP in 2009 increases by the purchase price of the house, which is a newly produced good.
b. GDP in 2009 does not change because the house is ***not*** a newly produced good, since it was built in 2001. Transactions involving used goods are not included in GDP.
c. GDP in 2009 does not change directly because the windows are intermediate goods, not final goods. The value of intermediate goods is not included in GDP to avoid double counting. The value of the windows is implicitly included in the price of the house.
d. GDP in 2009 does not change because home production is not included in GDP.
e. GDP in 2009 does not change because financial transactions do not represent the production of final goods and services and are not included in GDP.

Add Question Here

Question 125 **Essay** **0 points** Modify Remove

Question
Explain which expenditure category of GDP changes and the direction of the change that results for each transaction described.

a. A domestic business purchases a domestically produced computer to use in a business office.
b. A domestic business produces a computer that is sold to a foreign company.
c. The federal government purchases a domestically produced computer to use in a court house.
d. A domestic household purchases a domestically produced computer to use in a home.
e. A domestic household purchases a computer produced in a foreign country to use in a home.

Answer a. Investment spending increases by the price of the computer.
b. Exports (and net exports) increase by the price of the computer.
c. Government spending increases by the price of the computer.
d. Consumption spending increases by the price of the computer.
e. Consumption spending increases by the price of the computer, but imports also increase by the price of the computer, so that net exports decrease by the price of the computer and there will be no net change in GDP.

Add Question Here

Question 126 **Essay** **0 points** Modify Remove

Question
Into which of the three categories—employed, unemployed, out of the labor force—would an interviewer for the Current Population Survey place each of the following people? Explain.

a. Jennifer Temple is working as a second-grade schoolteacher.

b. Frank Peabody is attending college full-time to earn a degree in elementary education.

c. Martin Hampton is working as a high school social science teacher, but is at home sick with the flu.

d. Kyle Brown does not currently have a job. He wants to be an elementary schoolteacher. He has the appropriate degree. He has not looked for a position in the last month because he doesn't believe schools are currently hiring.

e. Brenda Dewey does not currently have a job. She has sent her resume to several school districts in the past week in the hope of finding a teaching position.

Answer

a. employed

b. out of the labor force

c. employed

d. out of the labor force

e. unemployed

Add Question Here

OK

Pool Canvas

Add, modify, and remove questions. Select a question type from the Add Question drop-down list and click **Go** to add questions. Use Creation Settings to establish which default options, such as feedback and images, are available for question creation.

Add Multiple Choice GO | Creation Settings

Name Chapter 02
Description
Instructions

Modify

Add Question Here

Question 1 **Multiple Choice** **1 points** Modify Remove

Question Which of the following is a flow variable?

Answer
- the value of the house in which you live
- the balance in your savings account
- ✓ your monthly consumption of hamburgers
- the number of hamburgers in your refrigerator at the beginning of the month

Correct Feedback Correct. The answer is C. As explained in Section 2-1, a flow is a quantity measured per unit time and a stock is a quantity measured at a given point in time.

Incorrect Feedback The correct answer is C. As explained in Section 2-1, a flow is a quantity measured per unit time and a stock is a quantity measured at a given point in time.

Add Question Here

Question 2 **Multiple Choice** **1 points** Modify Remove

Question Which of the following is not a stock variable?

Answer
- government debt
- the labor force
- the amount of money held by the public
- ✓ inventory investment

Correct Feedback Correct. The answer is D. Inventory investment is a quantity measured per unit time, so it is a flow variable. See Section 2-1.

Incorrect Feedback Incorrect. The correct answer is D. Inventory investment is a quantity measured per unit time, so it is a flow variable. See Section 2-1.

Add Question Here

Question 3 **Multiple Choice** **1 points** Modify Remove

Question Gross domestic product (GDP) is

Answer
- a stock.
- ✓ a flow.
- both a stock and a flow.
- neither a stock nor a flow.

Correct Feedback Correct. The answer is B. GDP is a quantity measured per unit time, so it is a flow. See Section 2-1.

Incorrect Feedback Incorrect. The correct answer is B. GDP is a quantity measured per unit time, so it is a flow. See Section 2-1.

Add Question Here

Question 4 **Multiple Choice** **1 points** Modify Remove

Question GDP measures

Answer
- expenditure on all final goods and services.
- total income of everyone in the economy.
- total value added by all firms in the economy.
- ✓ all of the above.

Correct Feedback Correct. The answer is D. See Section 2-1 for a discussion of what GDP measures.

Incorrect Feedback Incorrect. The correct answer is D. See Section 2-1 for a discussion of what GDP measures.

Add Question Here

Question 5 **Multiple Choice** **1 points** Modify Remove

Question Suppose that a farmer grows wheat and sells it to a baker for $1, the baker makes bread and sells it to a store for $2, and the store sells it to the customer for $3. This transaction increases GDP by

Answer
- $1.
- $2.
- ✓ $3.
- $6.

Correct Feedback Correct. The answer is C. As explained in Section 2-1, GDP includes only the value of the final goods and services. Therefore, this transaction increases GDP by $3.

Incorrect Feedback Incorrect. The correct answer is C. As explained in Section 2-1, GDP includes only the value of the final goods and services. Therefore, this transaction increases GDP by $3.

Add Question Here

Question 6 **Multiple Choice** **1 points** Modify Remove

Question Which of the following is not included in GDP?

Answer
- the salary paid to a federal judge
- the value of housing services enjoyed by homeowners
- ✓ the value of automobile services enjoyed by car owners

the value added by a shipping company that transports goods from the factory to retail stores

Correct Feedback Correct. The answer is C. In principle, GDP should include the imputed rent on automobiles, but in practice it does not. See Section 2-1.

Incorrect Feedback Incorrect. The correct answer is C. In principle, GDP should include the imputed rent on automobiles, but in practice it does not. See Section 2-1.

Add Question Here

Question 7 **Multiple Choice** **1 points** Modify Remove

Question In which case is total expenditure in an economy not equal to total income?

Answer

If total saving is larger than total investment.

If net exports are not zero.

If inventory investment is negative.

✓ None of the above—they are always equal.

Correct Feedback Correct. The answer is D. As explained in Section 2-1, total expenditure in an economy always equals total income.

Incorrect Feedback Incorrect. The correct answer is D. As explained in Section 2-1, total expenditure in an economy always equals total income.

Add Question Here

Question 8 **Multiple Choice** **1 points** Modify Remove

Question All other things equal, GDP will rise if

Answer

imports rise.

exports fall.

✓ durable goods consumption rises.

military spending falls.

Correct Feedback Correct. The answer is C. A rise in imports, a fall in exports, or a fall in military spending will decrease GDP. A rise in durable goods consumption will increase GDP. See Section 2-1.

Incorrect Feedback Incorrect. The correct answer is C. A rise in imports, a fall in exports, or a fall in military spending will decrease GDP. A rise in durable goods consumption will increase GDP. See Section 2-1.

Add Question Here

Question 9 **Multiple Choice** **1 points** Modify Remove

Question Which of the following statements describes the difference between real and nominal GDP?

Answer

Real GDP includes only goods; nominal GDP includes goods and services.

✓ Real GDP is measured using constant base-year prices; nominal GDP is measured using current prices.

Real GDP is equal to nominal GDP less the depreciation of the capital stock.

Real GDP is equal to nominal GDP multiplied by the CPI.

Correct Feedback Correct. The answer is B. For a discussion of the differences between real and nominal GDP, see Section 2-1.

Incorrect Feedback Incorrect. The correct answer is B. For a discussion of the differences between real and nominal GDP, see Section 2-1.

Add Question Here

Question 10 **Multiple Choice** **1 points** Modify Remove

Question If production remains the same and all prices double, then real GDP

Answer

and nominal GDP are both constant.

is constant and nominal GDP is reduced by half.

✓ is constant and nominal GDP doubles.

doubles and nominal GDP is constant.

Correct Feedback Correct. The answer is C. Real GDP is measured in constant prices, so it is unaffected by a price increase. Nominal GDP is measured in current prices. If prices double, so will nominal GDP. See Section 2-1.

Incorrect Feedback Incorrect. The correct answer is C. Real GDP is measured in constant prices, so it is unaffected by a price increase. Nominal GDP is measured in current prices. If prices double, so will nominal GDP. See Section 2-1.

Add Question Here

Question 11 **Multiple Choice** **1 points** Modify Remove

Question Real GDP equals

Answer

nominal GDP minus net exports.

✓ nominal GDP divided by the GDP deflator.

nominal GDP multiplied by the GDP deflator.

GDP minus depreciation.

Correct Feedback Correct. The answer is B. As explained in Section 2-1, real GDP equals nominal GDP divided by the GDP deflator.

Incorrect Feedback Incorrect. The correct answer is B. As explained in Section 2-1, real GDP equals nominal GDP divided by the GDP deflator.

Add Question Here

Question 12 **Multiple Choice** **1 points** Modify Remove

Question If production remains the same and all prices double relative to the base year, then the GDP deflator is

Answer

1/4.

1/2.

1.

✓ 2.

Correct Feedback Correct. The answer is D. As explained in Section 2-1, the GDP deflator equals nominal GDP divided by real GDP. If prices double, nominal GDP will double and real GDP will be unchanged. Therefore, the GDP deflator will equal 2.

Incorrect Feedback Incorrect. The correct answer is D. As explained in Section 2-1, the GDP deflator equals nominal GDP divided by real GDP. If prices double, nominal GDP will double and real GDP will be unchanged. Therefore, the GDP deflator will equal 2.

Add Question Here

Question 13 **Multiple Choice** **1 points** Modify Remove

Question
Consider the following table:

	APPLES	ORANGES
Year	Production/Price	Production/Price
1995	20/ $0.50	10/$1.00
2000	10/ $1.00	10/$0.50

If 1995 is the base year, what is the GDP deflator for 2000?

Answer
- 0
- between 0 and 1
- ✓ 1
- greater than 1

Correct Feedback Correct. The answer is C. The GDP deflator is nominal GDP divided by real GDP. Nominal and real GDP are both $15 in 2000, so the GDP deflator equals 1. See Section 2-1.

Incorrect Feedback Incorrect. The correct answer is C. The GDP deflator is nominal GDP divided by real GDP. Nominal and real GDP are both $15 in 2000, so the GDP deflator equals 1. See Section 2-1.

Add Question Here

Question 14 **Multiple Choice** **1 points** Modify Remove

Question To obtain the net national product (NNP), start with the gross national product (GNP) and subtract

Answer
- ✓ depreciation.
- depreciation and indirect business taxes.
- depreciation, indirect business taxes, and corporate profits.
- depreciation, indirect business taxes, corporate profits, and social insurance contributions.

Correct Feedback Correct. The answer is A. For an explanation of NNP, see Section 2-1.

Incorrect Feedback Incorrect. The correct answer is A. For an explanation of NNP, see Section 2-1.

Add Question Here

Question 15 **Multiple Choice** **1 points** Modify Remove

Question To obtain national income, start with GNP and subtract

Answer
- depreciation.
- ✓ depreciation and the statistical discrepancy.
- depreciation, indirect business taxes, and corporate profits.
- depreciation, indirect business taxes, corporate profits, and social insurance contributions.

Correct Feedback Correct. The answer is B. National income equals GNP minus depreciation and statistical discrepancy. See Section 2-1.

Incorrect Feedback Incorrect. The correct answer is B. National income equals GNP minus depreciation and the statistical discrepancy. See Section 2-1.

Add Question Here

Question 16 **Multiple Choice** **1 points** Modify Remove

Question Approximately what percentage of national income consists of compensation of employees?

Answer
- 10 percent
- 25 percent
- ✓ 70 percent
- 95 percent

Correct Feedback Correct. The answer is C. The components of national income are discussed in section 2-1.

Incorrect Feedback Incorrect. The correct answer is C. The components of national income are discussed in section 2-1.

Add Question Here

Question 17 **Multiple Choice** **1 points** Modify Remove

Question Which of the following is not considered investment?

Answer
- A family builds a house in which it plans to live.
- A car dealer stores some of this year's models for next year.
- ✓ An individual purchases several pieces of antique furniture.
- A firm buys a computer for word processing.

Correct Feedback Correct. The answer is C. As discussed in Section 2-1, the reallocation of existing assets among different individuals is not investment for economy.

Incorrect Feedback Incorrect. The correct answer is C. As discussed in Section 2-1, the reallocation of existing assets among different individuals is not investment for economy.

Add Question Here

Question 18 **Multiple Choice** **1 points** Modify Remove

Question Suppose that Jones builds a new house, then she sells it to Smith, and then Smith sells it to Williams. The total net investment from these transactions is

Answer

zero.

✓ 1 house.

2 houses.

3 houses.

Correct Feedback Correct. The answer is B. As explained in Section 2-1, building a new house counts as investment; selling an existing house does not.

Incorrect Feedback Incorrect. The correct answer is B. As explained in Section 2-1, building a new house counts as investment; selling an existing house does not.

Add Question Here

Question 19 **Multiple Choice** **1 points** Modify Remove

Question The consumer price index (CPI)

Answer

✓ measures the price of a fixed basket of goods and services.

measures the price of a basket of goods and services that constantly changes as the composition of consumer spending changes.

measures the amount of money that it takes to produce a fixed level of utility.

is one of the many statistics in the National Income Accounts.

Correct Feedback Correct. The answer is A. The CPI measures the price of a fixed basket of goods and services. See Section 2-2.

Incorrect Feedback Incorrect. The correct answer is A. The CPI measures the price of a fixed basket of goods and services. See Section 2-2.

Add Question Here

Question 20 **Multiple Choice** **1 points** Modify Remove

Question Suppose that the typical consumer buys one apple and one orange every month. In the base year 1986, the price for each was $1. In 1996, the price of apples rises to $2, and the price of oranges remains at $1. Assuming that the CPI for 1986 is equal to 1, the CPI for 1996 would be equal to

Answer

1/2.

1.

✓ 3/2.

2.

Correct Feedback Correct. The answer is C. The CPI measures the change in the price of the typical consumer's basket of goods. Since the price of the basket was $2 in 1986, and it is $3 in 1996, the CPI for 1996 is equal to 3/2. See Section 2-2.

Incorrect Feedback Incorrect. The correct answer is C. The CPI measures the change in the price of the typical consumer's basket of goods. Since the price of the basket was $2 in 1986, and it is $3 in 1996, the CPI

for 1996 is equal to 3/2. See Section 2-2.

Add Question Here

Question 21 **Multiple Choice** **1 points** Modify Remove

Question
Consider the following table:

Year	Consumption Goods Production Price	Nonconsumption Goods Production Price
1995	20/$0.50	10/$1.00
2000	10/$1.00	10/$0.50

If 1995 is the base year, the CPI in 2000 is

Answer
0.
1/2.
1.
✓ 2.

Correct Feedback Correct. The answer is D. The CPI is a measure of the price of a fixed basket of consumption goods. Since the price of consumption goods doubled between 1995 and 2000, the 2000 CPI will equal 2. See Section 2-2.

Incorrect Feedback Incorrect. The correct answer is D. The CPI is a measure of the price of a fixed basket of consumption goods. Since the price of consumption goods doubled between 1995 and 2000, the 2000 CPI will equal 2. See Section 2-2.

Add Question Here

Question 22 **Multiple Choice** **1 points** Modify Remove

Question Which of the following statements about the CPI and the GDP deflator is true?

Answer
The CPI measures the price level; the GDP deflator measures the production of an economy.
The CPI refers to a base year; the GDP deflator always refers to the current year.
✓ The weights given to prices are not the same.
The GDP deflator takes the price of imported goods into account; the CPI does not.

Correct Feedback Correct. The answer is C. For a discussion of the CPI and the GDP deflator, see Section 2-2.

Incorrect Feedback Incorrect. The correct answer is C. For a discussion of the CPI and the GDP deflator, see Section 2-2.

Add Question Here

Question 23 **Multiple Choice** **1 points** Modify Remove

Question All other things equal, if the price of foreign-made cars rises, then the GDP deflator

Answer

and the CPI will rise by equal amounts.

will rise and the CPI will remain the same.

✓ will remain the same and the CPI will rise.

and the CPI will rise by different amounts.

Correct Feedback Correct. The answer is C. Goods and services produced abroad do not enter the GDP deflator, but are included in the CPI if the foreign goods are in the consumers' basket. See Section 2-2.

Incorrect Feedback Incorrect. The correct answer is C. Goods and services produced abroad do not enter the GDP deflator, but are included in the CPI if the foreign goods are in the consumers' basket. See Section 2-2.

Add Question Here

Question 24 **Multiple Choice** **1 points** Modify Remove

Question General Motors increases the price of a model car produced exclusively for export to Europe. Which U.S. price index is affected?

Answer

the CPI

✓ the GDP deflator

both the CPI and the GDP deflator

D. neither the CPI nor the GDP deflator

Correct Feedback Correct. The answer is B. The GDP deflator is affected because the cars are produced domestically. The CPI does not change because the cars are not consumed domestically. See Section 2-2.

Incorrect Feedback Incorrect. The correct answer is B. The GDP deflator is affected because the cars are produced domestically. The CPI does not change because the cars are not consumed domestically. See Section 2-2.

Add Question Here

Question 25 **Multiple Choice** **1 points** Modify Remove

Question Which of the following events will cause the unemployment rate to increase?

Answer

an increase in population, with no change in the size of the labor force

a proportionally equal increase in the labor force and the number of unemployed workers

✓ an increase in the labor force with no change in the number of employed workers

an increase in the number of employed workers with no change in the number of unemployed workers

Correct Feedback Correct. The answer is C. The unemployment rate is defined as the number of unemployed workers divided by the labor force. If the labor force increases and employment does not change, the unemployment rate will increase. See Section 2-3.

Incorrect Feedback Incorrect. The correct answer is C. The unemployment rate is defined as the number of unemployed workers divided by the labor force. If the labor force increases and employment does not change, the unemployment rate will increase. See Section 2-3.

Add Question Here

Question 26 **Multiple Choice** **1 points** Modify Remove

Question An example of a person who is counted as unemployed is a

Answer
- retired worker below the mandatory retirement age.
- part-time worker who would like to work full-time.
- ✓ senator who resigns her job to run for president.
- student going to school full-time.

Correct Feedback Correct. The answer is C. For a discussion of who is considered unemployed, see Section 2-3.

Incorrect Feedback Incorrect. The correct answer is C. For a discussion of who is considered unemployed, see Section 2-3.

Add Question Here

Question 27 **Multiple Choice** **1 points** Modify Remove

Question Suppose that a factory worker turns 62 years old and retires from her job. Which statistic is not affected?

Answer
- ✓ number of unemployed
- unemployment rate
- labor force
- labor-force participation rate

Correct Feedback Correct. The answer is A. The factory worker willingly leaves her job so she is not considered to be unemployed. See Section 2-3.

Incorrect Feedback Incorrect. The correct answer is A. The factory worker willingly leaves her job so she is not considered to be unemployed. See Section 2-3.

Add Question Here

Question 28 **Multiple Choice** **1 points** Modify Remove

Question Suppose that the size of the labor force is 100 million and that the unemployment rate is 5 percent. Which of the following actions would reduce the unemployment rate the most?

Answer
- 1 million unemployed people get jobs
- ✓ 2 million unemployed people leave the labor force
- 3 million people join the labor force and they all get jobs
- 10 million people join the labor force and half of them get jobs

Correct Feedback Correct. The answer is B. The unemployment rate is equal to the number of unemployed workers divided by the size of the labor force. If you calculate it for each of the above situations, you will see that it is most reduced when 2 million unemployed people leave the labor force. See Section 2-3.

Incorrect Feedback Incorrect. The correct answer is B. The unemployment rate is equal to the number of unemployed workers divided by the size of the labor force. If you calculate it for each of the above situations, you will see that it is most reduced when 2 million unemployed people leave the labor force. See Section 2-3.

Add Question Here

Question 29 **Multiple Choice** **1 points** Modify Remove

Question Suppose that a Canadian citizen crosses the border each day to work in the United States. Her income from this job would be counted in

Answer

U.S. GNP and Canadian GNP.
U.S. GNP and Canadian GDP.
✓ U.S. GDP and Canadian GNP.
U.S. GDP and Canadian GDP.

Correct Feedback Correct. The answer is C. Her income is counted as U.S. GDP and Canadian GNP. See Section 2-1 for the definitions of gross domestic product (GDP) and gross national product (GNP).

Incorrect Feedback Incorrect. The correct answer is C. Her income is counted as U.S. GDP and Canadian GNP. See Section 2-1 for the definitions of gross domestic product (GDP) and gross national product (GNP).

Add Question Here

Question 30 **Multiple Choice** **1 points** Modify Remove

Question Suppose that an Italian working in the United States renounces his Italian citizenship and is granted U.S. citizenship. Which of the following will happen?

Answer

Italian GDP will fall; U.S. GNP will rise.
✓ Italian GNP will fall; U.S. GNP will rise.
Italian GDP will fall; U.S. GDP will rise.
Italian GNP will fall; U.S. GDP will rise.

Correct Feedback Correct. The answer is B. The worker¿s income was counted as Italian GNP and U.S. GDP. After the worker becomes a U.S. citizen, his income is counted as U.S. GNP and GDP. Therefore, Italian GNP falls and U.S. GNP rises. See Section 2-1.

Incorrect Feedback Incorrect. The correct answer is B. The worker¿s income was counted as Italian GNP and U.S. GDP. After the worker becomes a U.S. citizen, his income is counted as U.S. GNP and GDP. Therefore, Italian GNP falls and U.S. GNP rises. See Section 2-1.

Add Question Here

OK