

Name: _____ Date: _____

1. GDP is *all* of the following *except* the total:
 - A) expenditure of everyone in the economy.
 - B) income of everyone in the economy.
 - C) expenditure on the economy's output of goods and services.
 - D) output of the economy.

2. The total income of everyone in the economy is exactly equal to the total:
 - A) expenditure on the economy's output of goods and services.
 - B) consumption expenditures of everyone in the economy.
 - C) expenditures of all businesses in the economy.
 - D) government expenditures.

3. An economy's _____ equals its _____.
 - A) consumption; income
 - B) consumption; expenditure on goods and services
 - C) expenditure on goods; expenditures on services
 - D) income; expenditure on goods and services

4. *All* of the following are measures of GDP *except* the total:
 - A) expenditures of all businesses in the economy.
 - B) income from all production in the economy.
 - C) expenditures on all final goods and services produced.
 - D) value of all final production.

5. It is a national income accounting rule that all expenditure on purchases of products is necessarily equal to:
 - A) profits of firms.
 - B) wages of employees.
 - C) income of the producers of the products.
 - D) income of employees.

6. Two equivalent ways to view GDP are as the:
- A) total payments made to all workers in the economy or the total profits of all firms and businesses in the economy.
 - B) total expenditures on all goods produced in the economy or the total income earned from producing all services in the economy.
 - C) total profits of all firms and businesses in the economy or the total consumption of goods and services by all households in the economy.
 - D) total income of everyone in the economy or the total expenditure on the economy's output of goods and services.
7. Which of the following is a flow variable?
- A) wealth
 - B) the number unemployed
 - C) government debt
 - D) income
8. Which of the following is a stock variable?
- A) wealth
 - B) consumption
 - C) investment
 - D) income
9. *All* of the following are a stock *except*:
- A) a consumer's wealth.
 - B) the government budget deficit.
 - C) the number of unemployed people.
 - D) the amount of capital in the economy.
10. *All* of the following are a flow *except*:
- A) the number of new automobile purchases.
 - B) the number of people losing their jobs.
 - C) business expenditures on plant and equipment.
 - D) the government debt.
11. The amount of capital in an economy is a _____ and the amount of investment is a _____.
- A) flow; stock
 - B) stock; flow
 - C) final good; intermediate good
 - D) intermediate good; final good

12. Assume that total output consists of 4 apples and 6 oranges and that apples cost \$1 each and oranges cost \$0.50 each. In this case, the value of GDP is:
- A) 10 pieces of fruit.
 - B) \$7.
 - C) \$8.
 - D) \$10.
13. When a firm sells a product out of inventory, GDP:
- A) increases.
 - B) decreases.
 - C) is not changed.
 - D) increases or decreases, depending on the year the product was produced.
14. When bread is baked but put away for later sale, this is called:
- A) waste.
 - B) saving.
 - C) fixed investment.
 - D) investment in inventory.
15. Assume that a tire company sells 4 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:
- A) \$20,000.
 - B) \$20,000 less the automobile company's profit on the car.
 - C) \$20,900.
 - D) \$20,900 less the profits of all three companies on the items that they sold.
16. The value added of an item produced refers to:
- A) a firm's profits on the item sold.
 - B) the value of the labor inputs in the production of an item.
 - C) the value of a firm's output less the value of its costs.
 - D) the value of a firm's output less the value of the intermediate goods that the firm purchases.

17. 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:
- A) \$10,000.
 - B) \$12,000.
 - C) \$20,000.
 - D) \$22,000.
18. In computing GDP,
- A) expenditures on used goods are included.
 - B) production added to inventories is excluded.
 - C) the amount of production in the underground economy is imputed.
 - D) the value of intermediate goods is included in the market price of the final goods.
19. To avoid double counting in the computation of GDP, only the value of _____ goods are included.
- A) final
 - B) used
 - C) intermediate
 - D) investment
20. Imputed values included in GDP are the:
- A) market prices of goods and services.
 - B) estimated value of goods and services that are not sold in the marketplace.
 - C) price of goods and services measured in constant prices.
 - D) price of goods and services measured in current prices.
21. An example of an imputed value in the GDP is the:
- A) value-added of meals cooked at home.
 - B) housing services enjoyed by homeowners.
 - C) services of automobiles to their owners.
 - D) value of illegal drugs sold.
22. In principle, the GDP accounts should—but do not—have an imputation for:
- A) housing services enjoyed by homeowners.
 - B) rental services of automobiles driven by owners.
 - C) meals cooked in restaurants.
 - D) housing services enjoyed by renters.

23. The underground economy:
- A) is included in the latest GDP accounts.
 - B) includes only illegal activities.
 - C) includes domestic workers for whom Social Security tax is not collected.
 - D) excludes the illegal drug trade.
24. Nominal GDP is measured in _____ dollars _____ time.
- A) current; at a point in
 - B) current; per unit of
 - C) constant; at a point in
 - D) constant; per unit of
25. Nominal GDP means the value of goods and services is measured in _____ prices.
- A) current
 - B) real
 - C) constant
 - D) average
26. Real GDP means the value of goods and services is measured in _____ prices.
- A) current
 - B) actual
 - C) constant
 - D) average
27. Assume that apples cost \$0.50 in 2002 and \$1 in 2009, whereas oranges cost \$1 in 2002 and \$1.50 in 2009. If 4 apples were produced in 2002 and 5 in 2009, whereas 3 oranges were produced in 2002 and 4 in 2009, then real GDP (in 2002 prices) in 2009 was:
- A) \$5.
 - B) \$6.50.
 - C) \$9.50.
 - D) \$11.
28. The best measure of the economic satisfaction of the members of a society is:
- A) nominal GDP.
 - B) real GDP.
 - C) the rate of inflation.
 - D) the value of corporate profits.

29. If nominal GDP in 2009 equals \$14 trillion and real GDP in 2009 equals \$11 trillion, what is the value of the GDP deflator?
- A) 0.79
 - B) 1.03
 - C) 1.27
 - D) 1.30
30. 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?
- A) \$12 trillion
 - B) \$12.5 trillion
 - C) \$15 trillion
 - D) \$18.75 trillion
31. The GDP deflator is equal to:
- A) the ratio of nominal GDP to real GDP.
 - B) the ratio of real GDP to nominal GDP.
 - C) real GDP minus national GDP.
 - D) nominal GDP minus real GDP.
32. Assume that apples cost \$0.50 in 2002 and \$1 in 2009, whereas oranges cost \$1 in 2002 and \$1.50 in 2009. If 4 apples were produced in 2002 and 5 in 2009, whereas 3 oranges were produced in 2002 and 5 in 2009, then the GDP deflator in 2009, using a base year of 2002, was approximately:
- A) 1.5.
 - B) 1.7.
 - C) 1.9.
 - D) 2.0.
33. Real GDP is a better measure of economic well-being than nominal GDP, because real GDP:
- A) excludes the value of goods and services exported abroad.
 - B) includes the value of government transfer payments.
 - C) measures changes in the quantity of goods and services produced by holding prices constant.
 - D) adjusts the value of goods and services produced for changes in the foreign exchange rate.

34. In the national income accounts, government purchases are goods and services purchased by:
- A) the federal government.
 - B) the federal and state governments.
 - C) state and local governments.
 - D) federal, state, and local governments.
35. In the national income accounts, net exports equal:
- A) exported goods minus imported goods.
 - B) exported goods and services minus imported goods and services.
 - C) exported goods minus imported services.
 - D) exported goods and services plus imported goods and services.
36. 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:
- A) \$673.
 - B) -\$673.
 - C) \$704.
 - D) -\$704.
37. GNP equals GDP _____ income earned domestically by foreigners _____ income that nationals earn abroad.
- A) plus; plus
 - B) minus; minus
 - C) minus; plus
 - D) plus; minus
38. Prices of items included in the CPI are:
- A) averaged with the price of every item weighted equally.
 - B) weighted according to amount of the item produced in GDP.
 - C) weighted according to quantity of the item purchased by the typical household.
 - D) chained to the base year by the year-to-year growth rate of the item.
39. Assume that apples cost \$0.50 in 2002 and \$1 in 2009, whereas oranges cost \$1 in 2002 and \$0.50 in 2009. If 10 apples and 5 oranges were purchased in 2002, and 5 apples and 10 oranges were purchased in 2009, the CPI for 2009, using 2002 as the base year, is:
- A) 0.75.
 - B) 0.80.
 - C) 1.
 - D) 1.25.

40. 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.
- A) 4.9
 - B) 7.4
 - C) 7.9
 - D) 9.4
41. 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.
- A) 3.5
 - B) 4.7
 - C) 4.9
 - D) 7
42. If the unemployment rate is 6 percent and the number of employed is 188 million, then the labor force equals _____ million.
- A) 11.28
 - B) 176.72
 - C) 188
 - D) 200
43. 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.
- A) 50
 - B) 58
 - C) 60
 - D) 67
44. The employment statistics computed from the establishment survey do not include:
- A) workers with two jobs.
 - B) the self-employed.
 - C) workers on firms' payrolls.
 - D) part-time workers on firms' payrolls.
45. A worker with two jobs is counted:
- A) once in both the household and the establishment surveys.
 - B) once in the household survey, but twice in the establishment survey.
 - C) once in the establishment survey, but twice in the household survey.
 - D) twice in both the household and the establishment surveys.

Answer Key

1. A
2. A
3. D
4. A
5. C
6. D
7. D
8. A
9. B
10. D
11. B
12. B
13. C
14. D
15. A
16. D
17. B
18. D
19. A
20. B
21. B
22. B
23. C
24. B
25. A
26. C
27. B
28. B
29. C
30. A
31. A
32. B
33. C
34. D
35. B
36. C
37. C
38. C
39. D
40. B
41. B
42. D
43. C
44. B

45. B