QUIZ-1 Part-2 Chapter 5-6-7

1. Growth in GDP systematically understates the growth in national wellbeing because

 a. as a country gets richer, leisure time increases.

 b. investment is not included in GDP.

 c. "bad" as well as "goods" get included in GDP.

 d. ecological costs are netted out of GDP.

1. U.S. government policy to stimulate research and development activities would be most likely to succeed if it involved

 a. personal income tax policy.

 b. interest rate policy.

 c. payroll tax policy.

 d. corporate tax policy.

1. A decrease in the capital stock would be expected to

 a. increase the level of output.

 b. increase real GDP per capita.

 c. decrease real GDP per capita.

 d. decrease the labour force.

1. Americans viewed the 12 percent mortgage interest rates of the 1980s as exorbitantly high while they considered the 7 percent mortgage interest rates of the late 1990s as reasonable. This represents a confusion of

 a. real versus nominal interest rates.

 b. actual and expected inflation.

 c. real versus nominal inflation.

 d. real versus expected mortgage payments.

1. If ten years ago the price of a movie ticket was $5 and the average hourly wage was $10, and today the price of a movie ticket is $8 and the average hourly wage is $20, then

 a. movies are now relatively cheaper in terms of work hours.

 b. the relative price of movies has remained constant.

 c. workers now need to work longer hours to earn one movie ticket.

 d. movies are now relatively more expensive in terms of work hours.

1. The school of engineering at a modern university would be a supporter of the new

 a. growth theory.

 b. monetary theory.

 c. consumption theory.

 d. construction theory.

1. Does GDP for a particular year include items produced in a previous year?

 a. Nominal GDP will not and real GDP will

 b. Real GDP will and nominal GDP will not

 c. Yes for both nominal and real GDP

 d. No for both nominal and real GDP

1. Phoebe and Rachel quit running in Central Park and join a health club to run on treadmills. This decision

 a. has no effect on GDP.

 b. increases GDP.

 c. increases nominal but not real GDP.

 d. decreases GDP.

1. If the discouraged workers were included in the labour force,

 a. the unemployment rate would fall.

 b. the labour force would decrease.

 c. the unemployment rate would rise.

 d. the employment rate would rise.

1. When people smoke cigarettes, their friends and family members may become sick. This affects GDP by

 a. reducing GDP by the cost of the cigarettes purchased.

 b. decreasing GDP by the cost of the medical care and increasing GDP by the cost of the cigarettes purchased.

 c. reducing GDP by the amount of medical care needed.

 d. increasing GDP by the cost of the medical care and the cost of the cigarettes purchased.

1. Labor productivity times hours of work equals

 a. population.

 b. capital stock.

 c. per capita GDP.

 d. GDP.

1. following transactions would be included in GDP for 2015?

 a. Bonita Delgado purchases a new 2015 Chevrolet on March 10, 2015.

 b. Nadav Daniel buys a used desk from the "Struggling Students Used Furniture" store on May 9, 2015.

 c. Levi Lathan purchases a 75-year-old penthouse on Lake Shore Drive in Chicago, Illinois, on June 23, 2015.

 d. On January 5, 2015, Chris Carter sold 100 shares of stock in IBM Corporation.

1. If actual inflation is less than the expected rate of inflation, then probably

 a. the purchasing power of the borrower is increased.

 b. neither the borrower nor the lender gains.

 c. the borrower gains at the expense of the lender.

 d. the lender gains at the expense of the borrower.

1. When inflation occurs,

 a. real wages must necessarily rise.

 b. real wages must necessarily fall.

 c. workers will experience falling real incomes.

 d. workers' real income may rise or fall.

1. In Figure 5-2, if the aggregate demand curve moves to the right less rapidly than the aggregate supply curve, then



 a. the price level will tend to increase.

 b. the price level should decline over time.

 c. the price level should remain stable.

 d. the level of real GDP should decrease.

1. Which of the following would be counted in the U.S. GDP for 2015?

 a. Ford buying tires from Goodyear for new Ford Mustangs

 b. a Ford Fiesta made in Mexico

 c. none of the above

 d. the $5,000 an investor used to purchase stock in Home Depot

1. If a borrower arbitrarily gains purchasing power as the result of a particular loan agreement, then

 a. actual inflation was equal to expected inflation.

 b. actual inflation was greater than expected inflation.

 c. actual inflation was less than expected inflation.

 d. the real interest rate was greater than the nominal interest rate.

1. Which of the following is an explanation for why some poor countries suffer from lower productivity growth?

 a. Too much saving has lead to the accumulation of capital in poor countries.

 b. Poor countries have lower capital stocks.

 c. The adoption of technology too quickly hurts the labor force in poor countries.

 d. Primary education is universal in poor countries.

1. E&S Cooling Co. installs air conditioning systems in new houses for homebuilders, and replacement systems for homeowners. Sales of which systems are included in this year's GDP?

 a. Sales of systems in new houses

 b. Neither system would be included, because they are always intermediate goods.

 c. Sales of both systems

 d. Sales of replacement systems

1. Trish grows oregano in her backyard to use in her homemade pesto sauce. How is this gardening included in GDP?

 a. It is included in nominal GDP.

 b. It is not included in GDP.

 c. It is included in real GDP.

 d. It is included as an intermediate good.