

Chapter 15

Measuring a Nation's Income

1. Macroeconomists study
 - a. decisions of households and firms.
 - b. economy-wide phenomena.
 - c. the interaction of households and firms.
 - d. regulations of firms and unions.

ANSWER: b. economy-wide phenomena.

TYPE: M DIFFICULTY: 1 SECTION: 15.0

2. Which of the following headlines would be more closely related to what microeconomists study than what macroeconomists study?
 - a. Unemployment rate rises from 5 percent to 5.5 percent.
 - b. Real GDP grows by 3.1 percent in the third quarter.
 - c. Retail sales at stores show large gains.
 - d. The price of oranges rises after an early frost.

ANSWER: d. The price of oranges rises after an early frost.

TYPE: M DIFFICULTY: 1 SECTION: 15.0

3. Which of the following questions is more likely to be studied by a microeconomist than a macroeconomist?
 - a. Why do prices in general rise by more in some countries than others?
 - b. Why do wages differ across industries?
 - c. Why do production and income increase in some periods and not in others?
 - d. Why has average income increased over time?

ANSWER: b. Why do wages differ across industries?

TYPE: TF DIFFICULTY: 1 SECTION: 23.0

4. Macroeconomics includes the study of topics such as
 - a. national output, the inflation rate, and the trade deficit.
 - b. the price of Cisco stock, wage differences between genders, and antitrust laws.
 - c. differences in market structure, and how consumers maximize utility.
 - d. None of the above are correct.

ANSWER: a. national output, the inflation rate, and the trade deficit.

TYPE: M DIFFICULTY: 1 SECTION: 15.0

5. The goal of macroeconomics is
 - a. to explain how economic changes affect prices of particular goods.
 - b. to devise policies to deal with market failures such as externalities and monopoly.
 - c. to explain changes that affect households and firms in general.
 - d. None of the above are correct.

ANSWER: c. to explain changes that affect households and firms in general.

TYPE: M DIFFICULTY: 1 SECTION: 15.0

6. The basic tools of supply and demand are
 - a. useful only in the analysis of economic behavior in individual markets.
 - b. useful in analyzing the overall economy, but not in analyzing individual markets.
 - c. not particularly useful in either macroeconomic or microeconomic analysis.
 - d. central to macroeconomic analysis as well as to microeconomic analysis.

ANSWER: d. central to macroeconomic analysis as well as to microeconomic analysis.

TYPE: M DIFFICULTY: 1 SECTION: 15.0

7. Which of the following statistics is the best single measure of an economy's well-being?
 - a. the unemployment rate
 - b. the inflation rate
 - c. GDP
 - d. the trade deficit

ANSWER: c. GDP

TYPE: M DIFFICULTY: 1 SECTION: 15.0

8. Which of the following is correct for an economy?
- Income is greater than production.
 - Production is greater than income.
 - Income always equals production.
 - Income equals production only when saving is zero.

ANSWER: c. Income always equals production.

TYPE: M DIFFICULTY: 1 SECTION: 15.1

9. Robert works as a lawyer.
- GDP computations should be made using his income from providing legal services, not his production of legal services.
 - GDP computations should be made using his production, not his income from providing legal services.
 - GDP computations should include both his income and his production.
 - GDP computations should include either his income or his production, but not both.

ANSWER: d. GDP computations should include either his income or his production, but not both.

TYPE: M DIFFICULTY: 1 SECTION: 15.1

10. If GDP rises,
- income and production must both rise.
 - income and production must both fall.
 - income must rise, but production may rise or fall.
 - production must rise, but income may rise or fall.

ANSWER: a. income and production must both rise.

TYPE: M DIFFICULTY: 1 SECTION: 15.1

11. In a simple circular-flow diagram total income and total expenditure are
- seldom equal because of the dynamic changes which occur in an economy.
 - equal only when all goods and services produced are sold.
 - always equal because every transaction has a buyer and a seller.
 - always equal because of accounting rules.

ANSWER: c. always equal because every transaction has a buyer and a seller.

TYPE: M DIFFICULTY: 1 SECTION: 15.1

12. In a simple circular-flow diagram, total income and total expenditures in an economy are
- equal because firms are ultimately owned by households.
 - equal only if there is no saving.
 - equal because every transaction has a buyer and a seller.
 - never equal because some people's income is not for production.

ANSWER: c. equal because every transaction has a buyer and a seller.

TYPE: M DIFFICULTY: 1 SECTION: 15.1

13. Firms use the money they get from a sale for
- paying wages.
 - making a profit.
 - paying rents.
 - All of the above are correct.

ANSWER: d. All of the above are correct.

TYPE: M DIFFICULTY: 1 SECTION: 15.0

14. The simple circular-flow diagram illustrates that
- production generates income so that income and production are the same.
 - the economy's income exceeds its production.
 - the production of an economy exceeds its income.
 - None of the above are necessarily correct.

ANSWER: a. production generates income so that income and production are the same.

TYPE: M DIFFICULTY: 1 SECTION: 15.1

15. In an economy consisting of only households and firms, GDP can be computed by
- adding up the total expenditures of households.
 - adding up the total income paid by firms.
 - Either a or b are correct.
 - None of the above are correct.

ANSWER: c. Either a or b are correct.

TYPE: M DIFFICULTY: 1 SECTION: 15.1

16. Production equals income because
- by law firms must pay out all their revenue as income to someone.
 - for every sale there is a buyer and a seller.
 - because ultimately firms are owned by households.
 - None of the above are correct.

ANSWER: b. for every sale there is a buyer and a seller.

TYPE: M DIFFICULTY: 1 SECTION: 15.1

17. Which of the following is the correct definition of GDP?
- the market value of all goods produced within a country
 - the market value of all final goods and services produced by the citizens of a country
 - the market value of all final goods and services produced within a country
 - None of the above are correct.

ANSWER: c. the market value of all final goods and services produced within a country

TYPE: M DIFFICULTY: 1 SECTION: 15.2

18. To compute GDP we
- simply sum the number of final goods and services.
 - sum the cost of producing final goods and services.
 - use weights determined by a survey regarding how much people value different sorts of goods and services to compute GDP as a weighted average.
 - sum the market values of final goods and services.

ANSWER: d. sum the market values of final goods and services.

TYPE: M DIFFICULTY: 1 SECTION: 15.2

19. In order to include many different products in an aggregate measure, GDP is computed using
- values of goods based on surveys of consumers.
 - primarily market prices.
 - primarily costs of production.
 - weights that are computed by how much of a particular good is produced relative to total output.

ANSWER: b. primarily market prices.

TYPE: M DIFFICULTY: 1 SECTION: 15.2

20. GDP is computed using market prices as the value of final goods and services because
- market prices don't change much, so it is easy to make comparisons between years.
 - if market prices are out of line with how people value goods, the government sets ceilings and floors on them.
 - market prices reflect the value of goods and services.
 - None of the above are correct; the government does not use market prices to compute GDP.

ANSWER: c. market prices reflect the value of goods and services.

TYPE: M DIFFICULTY: 1 SECTION: 15.2

21. Which of the following is not included in GDP?
- unpaid cleaning and maintenance of houses
 - services such as those provided by lawyers and hair stylists
 - the estimated rental value of owner-occupied housing
 - production of foreign citizens living in the United States

ANSWER: a. unpaid cleaning and maintenance of houses

TYPE: M DIFFICULTY: 2 SECTION: 15.2

22. The value of housing service provided by the economy's stock of houses is
- not included in GDP since it is not sold on the market.
 - counted and is valued as the mortgage payment made on the house.
 - counted and uses only the purchase price of the house in the year it is sold.
 - counted and is based on an estimate of its rental value.

ANSWER: d. counted and is based on an estimate of its rental value.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

23. Suppose that an apartment complex converts to a condominium where the renters are now owners of their former apartments.
- The rent was included in GDP; the purchases of the condominiums are not.
 - The rent was included in GDP, and so is the purchase of the condominiums.
 - The rent was not included in GDP; the purchases of the condominiums are.
 - Neither the rent of the apartments nor the purchases of the condominium are included in GDP.

ANSWER: a. the rent was included in GDP; the purchases of the condominiums are not.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

24. Suppose that an apartment complex converts to a condominium where the renters are now owners of their former apartments. Suppose that an estimate of the value of the condominium owners' housing services is now the same as their former rent.
- GDP necessarily increases.
 - GDP necessarily decreases.
 - GDP is unaffected because neither the rent nor the estimate of the value of housing services is included in GDP.
 - GDP is unaffected because previously rent was included in GDP, and now it is replaced by the estimate of the value of housing services.

ANSWER: d. GDP is unaffected because previously rent was included in GDP, and now it is replaced by the estimate of the value of housing services.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

25. Which of the following non-market goods or services is included as an estimate in U.S. GDP?
- the value of unpaid housework
 - the value of vegetables that people grow in their gardens
 - the estimated rental value of owner-occupied homes
 - None of the above are correct.

ANSWER: c. the estimated rental value of owner-occupied homes

TYPE: M DIFFICULTY: 2 SECTION: 15.2

26. Over the last few decades Americans have chosen to cook less at home and eat more at restaurants. This change in behavior, by itself,
- increased measured GDP.
 - reduced measured GDP.
 - did not affect measured GDP.
 - affected measured GDP only to the extent that people eat more at restaurants than at home.

ANSWER: a. increased measured GDP.

TYPE: M DIFFICULTY: 2 SECTION: 15.5

27. Over time people have come to rely more on market-produced goods and less on goods that they produce for themselves. For example people eat at restaurants relatively more and prepare their own meals at home relatively less. By itself this change would
- make GDP fall over time.
 - not make any change in GDP over time.
 - make GDP rise over time.
 - change GDP, but in an uncertain direction.

ANSWER: c. make GDP rise over time.

TYPE: M DIFFICULTY: 3 SECTION: 15.2

28. Ralph pays someone to mow his lawn. Norton mows his own lawn.
- Only what Ralph pays to have his lawn mowed is included in GDP.
 - What Ralph pays to have his lawn mowed and the estimated value to Norton of mowing his own lawn are both included in GDP.
 - Neither what Ralph pays nor the estimated value of Norton's mowing is included in GDP.
 - The answer depends on what Norton reports to survey takers.

ANSWER: a. only what Ralph pays to have his lawn mowed is included in GDP.

TYPE: M DIFFICULTY: 1 SECTION: 15.2

29. Jim is a chef at a restaurant. Sally prepared her own meals during the first quarter of 2002, and then ate at Jim's restaurant every day in the second quarter of 2002. Sally's change of habit
- necessarily raises GDP.
 - necessarily reduces GDP.
 - raises GDP only if the restaurant meals are more expensive than the estimated value of Sally's meals.
 - has no impact on GDP.

ANSWER: a. necessarily raises GDP.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

30. If Susan decides to change the oil in her car herself instead of having Speedy Lube change the oil for her
- necessarily rises.
 - necessarily falls.
 - will be unaffected because the same service is produced in either case.
 - will be unaffected because car maintenance is not included in GDP.

ANSWER: b. necessarily falls.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

31. A professional gambler moves from a state where gambling is illegal to a state where gambling is legal. This move
- necessarily raises GDP.
 - necessarily decreases GDP.
 - doesn't change GDP because gambling is never included in GDP.
 - doesn't change GDP because in either case his income is included.

ANSWER: a. necessarily raises GDP.

TYPE: M DIFFICULTY: 1 SECTION: 15.2

32. A professional gambler moves from a state where gambling is legal to a state where gambling is illegal. This move
- necessarily raises GDP.
 - necessarily decreases GDP.
 - doesn't change GDP because gambling is never included in GDP.
 - doesn't change GDP because in either case his income is included.

ANSWER: b. necessarily decreases GDP.

TYPE: M DIFFICULTY: 1 SECTION: 15.2

33. If a state made an illegal activity such as gambling or prostitution legal, then other things the same
- necessarily increases.
 - necessarily decreases.
 - doesn't change because both legal and illegal production are included in GDP.
 - doesn't change because these activities are never included in GDP.

ANSWER: a. necessarily increases.

TYPE: M DIFFICULTY: 1 SECTION: 15.2

34. If a state legalized gambling and then reversed its decision and made gambling illegal, then other things the same
- necessarily increases.
 - necessarily decreases.
 - doesn't change because both legal and illegal production are included in GDP.
 - doesn't change because gambling is never included in GDP.

ANSWER: b. necessarily decreases.

TYPE: M DIFFICULTY: 1 SECTION: 15.2

35. Roommates Grace and Kelly are sharing household chores and think they have an even exchange. Other things the same, if instead they paid each other for the chores the other did GDP would
- rise.
 - fall.
 - be unaffected because paid or not, household chores are not included in GDP.
 - be unaffected because paid or not, household chores are included in GDP.

ANSWER: a. rise.

TYPE: M DIFFICULTY: 1 SECTION: 15.2

36. Which of the following is correct?
- The value of all intermediate goods and final goods are included in GDP.
 - The value of intermediate goods are included in GDP only if they were produced in the previous year.
 - The value of intermediate goods are included in GDP only if they are purchased by firms rather than households.
 - The value of intermediate goods are not included in GDP.

ANSWER: d. The value of intermediate goods are not included in GDP.

TYPE: M DIFFICULTY: 1 SECTION: 15.2

37. GDP
- includes the value of intermediate goods so we can get a measure of sales.
 - excludes the value of intermediate goods because they are too difficult to measure.
 - excludes the value of intermediate goods because their value is already counted in the value of final goods.
 - None of the above are correct.

ANSWER: c. excludes the value of intermediate goods because their value is already counted in the value of final goods.

TYPE: M DIFFICULTY: 1 SECTION: 15.2

38. The total sales of all firms in the economy for a year
- equals GDP for the year.
 - is larger than GDP for the year.
 - is smaller than GDP for the year.
 - equals GNP for the year.

ANSWER: b. is larger than GDP for the year.

TYPE: M DIFFICULTY: 2 SECTION: 22.2

39. Grapes are
- always counted as an intermediate good.
 - counted as an intermediate good only if they are used to produce another good like wine.
 - counted as an intermediate good only if they are consumed.
 - counted as an intermediate good whether they are used to produce another good or consumed.

ANSWER: b. counted as an intermediate good only if they are used to produce another good like wine.

TYPE: M DIFFICULTY: 1 SECTION: 15.2

40. Flour is
- always counted as an intermediate good.
 - counted as an intermediate good if it is used by a company to make bread.
 - counted as a final good if it is used by a consumer who bakes bread for his own consumption.
 - Both b and c are correct.

ANSWER: d. Both b and c are correct.

TYPE: M DIFFICULTY: 1 SECTION: 15.2

41. Gasoline is
- always considered an intermediate good.
 - counted as a final good if a company uses it to provide transportation services.
 - counted as a final good if a consumer uses it to run a lawnmower to mow her yard.
 - Both b and c are correct.

ANSWER: c. counted as a final good if a consumer uses it to run the lawnmower to mow her yard.

TYPE: M DIFFICULTY: 1 SECTION: 15.2

42. Goods that go into inventory and are not sold during the current period are
- counted as intermediate goods and so are not included in current period GDP.
 - counted in current GDP only if the firm that produced them sells them to another firm.
 - included in current period GDP as inventory investment.
 - included in current period GDP as consumption.

ANSWER: c. included in current period GDP as inventory investment.

TYPE: M DIFFICULTY: 1 SECTION: 15.2

43. The local Chevrolet dealership has an increase in inventory of 25 cars in 2003. In 2004 it sells all 25 cars.
- The value of increased inventory will be counted as part of GDP in 2003, but the value of the cars sold in 2004 will not cause GDP to increase.
 - The value of the increased inventory will not affect 2003 GDP, but will be included in 2004 GDP.
 - The value of the increased inventory will be counted as 2003 GDP and the value of the cars sold in 2004 will increase 2004 GDP.
 - None of the above are correct.

ANSWER: a. The value of increased inventory will be counted as part of GDP in 2003, but the value of the cars sold in 2004 will not cause GDP to increase.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

44. A movie company makes 500,000 DVDs of one of its latest releases. It sells 300,000 of them before the end of the second quarter, and holds the others in its warehouse.
- Since the DVDs will eventually be bought by consumers, they are included as consumption in the second quarter.
 - Since the DVDs were not purchased this quarter, they will be counted as an increase in third-quarter GDP.
 - The DVDs will be counted as a change in inventory in the second quarter and so will be included in second-quarter GDP.
 - The DVDs will be counted as a change in inventory in the second quarter, and when sold in the third quarter will raise GDP.

ANSWER: c. The DVDs will be counted as a change in inventory in the second quarter and so will be included in second-quarter GDP.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

45. George buys and lives in a newly constructed home he paid \$200,000 for in 2003. He sells the house in 2004 for \$225,000.
- The 2004 sale increases 2004 GDP by \$225,000 and does nothing to 2003 GDP.
 - The 2004 sale increases 2004 GDP by \$25,000 and does nothing to 2003 GDP.
 - The 2004 sale does not increase 2004 GDP and does nothing to 2003 GDP.
 - The 2004 sale increases 2004 GDP by \$225,000 and 2003 GDP is revised upward by \$25,000.

ANSWER: c. The 2004 sale does not increase 2004 GDP and does nothing to 2003 GDP.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

46. Darla, a Canadian citizen, only works in the United States. The value added to production from her employment is
- included in both U.S. GDP and U.S. GNP.
 - included only in U.S. GDP.
 - included only in U.S. GNP.
 - not included in either U.S. GDP or U.S. GNP.

ANSWER: b. included only in U.S. GDP.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

47. Greg, a U.S. citizen, works only in Canada. The value added to production from his employment is
- included in both U.S. GDP and U.S. GNP.
 - included only in U.S. GDP.
 - included only in U.S. GNP.
 - not included in either U.S. GDP or U.S. GNP.

ANSWER: c. included only in U.S. GNP.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

48. Anna, a U.S. citizen, works only in Germany. The value added to production from her employment is included
- only in U.S. GDP.
 - only in German GDP.
 - in both German and U.S. GDP.
 - in neither German nor U.S. GDP.

ANSWER: b. only in German GDP.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

49. An Italian company opens a pasta company in the U.S. The profits from this pasta company are included in
- both U.S. and Italian GNP.
 - both U.S. and Italian GDP.
 - U.S. GDP and Italian GNP.
 - U.S. GNP and Italian GDP.

ANSWER: c. U.S. GDP and Italian GNP.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

50. An American company owns a fast food restaurant in Romania. The value of goods and services it produces is included
- in both Romanian and U.S. GDP.
 - partly in Romanian GDP and partly in U.S. GDP.
 - in Romanian GDP, but not U.S. GDP.
 - in U.S. GDP, but not Romanian GDP.

ANSWER: c. in Romanian GDP, but not U.S. GDP.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

51. Which of the following is included in GDP?
- the sale of stocks and bonds
 - the sale of used goods
 - the sale of services such as visits to a doctor
 - All of the above are correct.

ANSWER: c. the sale of services such as visits to a doctor

TYPE: M DIFFICULTY: 2 SECTION: 15.2

52. Which of the following is included in GDP?
- the sale of stocks and bonds
 - the estimated rental value of owner occupied housing
 - unpaid production of goods and services at home
 - All of the above are correct.

ANSWER: b. the estimated rental value of owner occupied housing

TYPE: M DIFFICULTY: 2 SECTION: 15.2

53. Which of the following is included in U.S. GDP?
- goods produced by foreign citizens working in the United States
 - the difference in the price of the sale of an existing home and its original purchase price
 - known illegal activities
 - None of the above are correct.

ANSWER: a. goods produced by foreign citizens working in the United States

TYPE: M DIFFICULTY: 2 SECTION: 15.2

54. Which of the following is counted in U.S. GDP?
- final goods and services purchased by the government
 - both the peaches used by a bakery to make peach pies and the peach pies
 - goods and services produced by U.S. citizens working in foreign countries
 - None of the above are correct.

ANSWER: a. final goods and services purchased by the government

TYPE: M DIFFICULTY: 2 SECTION: 15.2

55. Which of the following is counted in GDP?

- a. the estimated value of housework
- b. the value of illegally produced goods and services
- c. the value of newly issued stocks and bonds
- d. None of the above are correct.

ANSWER: d. None of the above are correct.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

56. U.S. GNP is calculated from U.S. GDP by

- a. including income earned by foreigners in the United States and excluding income earned by U.S. citizens abroad.
- b. including income earned by U.S. citizens abroad and excluding income earned by foreigners in the U.S.
- c. including income earned by foreigners in the United States.
- d. excluding income earned by U.S. citizens abroad.

ANSWER: b. including income earned by U.S. citizens abroad and excluding income earned by foreigners in the U.S.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

57. How is NNP calculated?

- a. by subtracting saving from the total income of citizens of a nation
- b. by subtracting business expenses and taxes from the total profits earned by citizens of a nation
- c. by subtracting depreciation from the total income of citizens of a nation
- d. by subtracting depreciation from the total profits earned by citizens of a nation

ANSWER: c. by subtracting depreciation from the total income of citizens of a nation

TYPE: M DIFFICULTY: 2 SECTION: 15.2

58. In the national income accounts, depreciation is called

- a. "consumption of fixed capital."
- b. "total tax depreciation."
- c. "consumption of circulating capital."
- d. "loss due to wear."

ANSWER: a. "consumption of fixed capital."

TYPE: M DIFFICULTY: 2 SECTION: 15.2

59. National income is defined as

- a. all income produced within a country.
- b. the total income earned by a nation's residents from the production of goods and services within the borders of the country.
- c. the total income earned by a nation's residents in the production of goods and services.
- d. the income received by the national government.

ANSWER: c. the total income earned by a nation's residents in the production of goods and services.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

60. National income differs from net national product in that it includes business subsidies and excludes

- a. profits of corporations.
- b. indirect business taxes.
- c. retained earnings of corporations.
- d. depreciation.

ANSWER: b. indirect business taxes.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

61. The income that households and noncorporate businesses receive is called

- a. personal income.
- b. proprietors' income.
- c. disposable personal income.
- d. national income.

ANSWER: a. personal income.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

62. Unlike national income, personal income
- includes retained earnings, corporate income taxes and social insurance contributions, and excludes interest and transfer payments received by households from government.
 - excludes retained earnings, corporate income taxes, social insurance contributions, and interest and transfer payments received by households from government.
 - excludes retained earnings, corporate income taxes and social insurance contributions, and includes interest and transfer payments received by households from government.
 - includes retained earnings, corporate income taxes, social insurance contributions, and interest and transfer payments received by households from government.

ANSWER: c. excludes retained earnings, corporate income taxes and social insurance contributions, and includes interest and transfer payments received by households from government.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

63. Disposable personal income is the income that
- households have left after paying taxes and non-tax payments to the government.
 - businesses have left after paying taxes and non-tax payments to the government.
 - households and noncorporate businesses have left after paying taxes and non-tax payments to the government.
 - households and businesses have left after paying taxes and non-tax payments to the government.

ANSWER: c. households and noncorporate businesses have left after paying taxes and non-tax payments to the government.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

64. Retained earnings are the part of income that
- households retain after paying taxes.
 - businesses retain after paying taxes.
 - corporations pay to their owners in the form of dividends.
 - corporations do not pay to their owners in the form of dividends.

ANSWER: d. corporations do not pay to their owners in the form of dividends.

TYPE: M DIFFICULTY: 2 SECTION: 15.2

Use the following table to answer the next five questions.

GDP	\$110
Income Earned by Citizens Abroad	\$5
Income Foreigners Earn here	\$15
Depreciation	\$4
Indirect Business Taxes	\$6
Business Subsidies	\$2
Statistical Discrepancy	\$0
Retained Earnings	\$5
Corporate Income Taxes	\$6
Social Insurance Contributions	\$10
Interest Paid to Households by Government	\$5
Transfer Payments to Households from Government	\$15
Personal Taxes	\$30
Non-tax payments to Government	\$5

65. GNP for this economy is
- \$96.
 - \$100.
 - \$105.
 - \$110.

ANSWER: b. \$100.

TYPE: TF DIFFICULTY: 2 SECTION: 22.2

66. NNP for this economy is
- \$100.
 - \$96.
 - \$90.
 - \$88.

ANSWER: b. \$96.

TYPE: TF DIFFICULTY: 3 SECTION: 22.2

67. National income for this economy is
- \$96.
 - \$92.
 - \$90.
 - \$88.

ANSWER: b. \$92.

TYPE: TF DIFFICULTY: 3 SECTION: 22.2

68. Personal Income for this economy is
- \$91.
 - \$81.
 - \$80.
 - \$51.

ANSWER: a. \$91.

TYPE: TF DIFFICULTY: 3 SECTION: 22.2

69. Disposable personal income for this economy is
- \$56.
 - \$46.
 - \$45.
 - \$11.

ANSWER: a. \$56.

TYPE: TF DIFFICULTY: 3 SECTION: 22.2

70. The government reports that "GDP increased by 1.6 percent in the last quarter." This statement means that GDP increased
- by 6.4 percent for the year.
 - at an annual rate of 6.4 percent during the last quarter.
 - at an annual rate of 1.6 percent during the last quarter.
 - at an annual rate of .4 percent during the last quarter.

ANSWER: c. at an annual rate of 1.6 percent during the last quarter.

TYPE: M DIFFICULTY: 1 SECTION: 15.2