

1.6  
4.8  
4.8

11. The government reports that "GDP increased by 1.6 percent in the last quarter." What does this statement mean?

- a. GDP increased at an annual rate of 6.4 percent during the last quarter.
- b. GDP increased at an annual rate of 4.8 percent during the last quarter.
- c. GDP increased at an annual rate of 1.6 percent during the last quarter.
- d. GDP increased at an annual rate of 0.4 percent during the last quarter.

1.6  
1.6  
3.2  
1.6  
4.8  
1.6  
2

12. A leading environmental group recently published a report contending that humans are running a "resource deficit" because we are using natural resources faster than they can be regenerated. The group claims that this means that economic growth will eventually stop, and will even be reversed. How would an economist respond to this report?

- a. An economist would agree with the report, and would point to rising natural resource prices as evidence.
- b. An economist would agree with the report, but wouldn't think it was important because growth will not slow down for several centuries.
- c. An economist would disagree with the report, in part because it ignores how technological change can provide alternatives.
- d. An economist would disagree with the report because labour and capital are the primary determinants of growth, and since they are plentiful, growth will not slow down.

13. Which of the following is included in GDP?

- a. the sale of stocks and bonds
- b. the estimated rental value of owner-occupied housing
- c. unpaid production of goods and services at home
- d. the sale of an old piece of jewellery

Table 6-1

Year	Peaches	Pecans
2012	\$14 per bushel	\$9 per bushel
2013	\$12 per bushel	\$14 per bushel

14  
5  
70  
12  
5  
60  
14

14. Refer to the Table 6-1. Suppose that the typical consumer basket consists of 5 bushels of peaches and 10 bushels of pecans and that the base year is 2012. What is the consumer price index for 2013?

- a. 80
- b. 100
- c. 125
- d. 200

5 x 14 + 10 x 9  
CPI 70 + 90 = 160 (2012)  
12 x 60 + 140 = 200 (2013)

15. Refer to the Table 6-1. What was the inflation rate in 2013?

- a. 25 percent
- b. 20 percent
- c. 5 percent
- d. 4 percent

3  
40  
160  
1/4 x 100 = 25  
200 - 160  
160  
x 100  
160  
1.25  
125  
160  
160  
1.0625  
6.25%

160  
160  
206  
160  
1.2875  
28.75%