

34. Which of the following best defines disposable personal income?
- the income that households have left after paying taxes and nontax payments to the government
 - the income that businesses have left after paying taxes and nontax payments to the government
 - the income that households and noncorporate businesses have left after paying taxes and nontax payments to the government
 - the income that households and businesses have left after paying taxes and nontax payments to the government
35. After the terrorist attacks on September 11, 2001, governments raised expenditures to increase security at airports. How are these purchases of goods and services treated in GDP?
- They are not included in GDP since they are not productive.
 - They are not included in GDP since governments will have to raise taxes to pay for them.
 - They are included in GDP since government expenditures are included in GDP.
 - They are included in GDP only to the extent that the federal, but not provincial or local governments, paid for them.
36. In an economy consisting of only households and firms, how can GDP be computed?
- by adding up the total expenditures of households and subtracting savings
 - by adding up the income paid by firms only in exchange for labour
 - by adding up either total income paid by firms or total expenditures of households, but not both
 - by adding up both the total expenditures of households and the total income paid by firms
37. The price index is 270 in one year and 300 in the next. What is the inflation rate?
- $$\frac{300 - 270}{270} \times 100 = 11.1\%$$
- $$\frac{300}{270} \times 100 = 111.1\%$$
- $$111.1\% - 100\% = 11.1\%$$
- 1.0 percent
 - 9.3 percent
 - 10.0 percent
 - 11.1 percent
38. If the Canadian government pays a retired economist at the Ministry of Finance \$30 000 in retirement benefits in 2011, how is the payment treated?
- It is included in 2011 GDP as government purchases.
 - It is not included in 2011 GDP because it is a transfer payment.
 - It is included in 2011 GDP as transfer payments.
 - It is not included in 2011 GDP because it is part of government purchases.
39. What does diminishing returns to capital imply?
- Capital produces fewer goods as it ages.
 - New ideas are not as useful as old ideas.
 - Increases in the capital stock eventually decrease output.
 - Increases in the capital stock increase output by ever smaller amounts.