

March 27, 2007

ECON 6901-----Quiz 6

Name: _____

1. Which of the following items is included in the calculation of GDP?
 - a. Purchase of 100 shares of General Motors stock.
 - b. Purchase of a used car.
 - c. The value of a homemaker's services.
 - d. **None of the above would be included.**

2. Gross private domestic investment:
 - a. excludes all investment in the United States by foreign firms.
 - b. includes all capital in the United States.
 - c. includes net additions to the capital stock plus all new corporate stocks and bonds.
 - d. **includes business expenditures on new factories, tools, and machinery.**

3. Which of the following would be classified as a personal consumption expenditure?
 - a. All of the following.
 - b. Your purchase of a newly constructed house
 - c. Your purchase of a preowned house.
 - d. Your purchase of one share of Microsoft stock.
 - e. **Your purchase of this economics course.**

4. Payments to households *not* in exchange for goods and services currently produced are:
 - a. **transfer payments.**
 - b. government purchases.
 - c. consumption expenditures.
 - d. investment expenditures.

5. The expenditure approach to GDP accounting includes:
 - a. wages and salaries.
 - b. **net exports.**
 - c. net interest.
 - d. corporate profit.
 - e. proprietors' income.

6. All final goods and services that make up GDP can be expressed in the form:
- a. $GDP = C + I - G + (X + M)$.
 - b. $GDP = C + I + G + (X + M)$.
 - c. $GDP = C + I + G + (X - M)$.
 - d. $GDP = C + I + (X - M)$.
 - e. $GDP = C + I + G$.
7. Which of the following is a shortcoming of GDP?
- a. GDP measures nonmarket transactions.
 - b. GDP includes an estimate of illegal transactions.
 - c. GDP includes an estimate of the value of household services.
 - d. **None of the above are true.**
8. If the underground economy is sizable, then GDP will:
- a. **understate the economy's performance.**
 - b. overstate the economy's performance.
 - c. fluctuate unpredictably.
 - d. accurately reflect this subterranean activity.
9. Because GDP does not account for improvements in the quality of goods, the GDP calculation:
- a. tends to overstate the true value of output in the United States.
 - b. **tends to understate the true value of output in the United States.**
 - c. provides an accurate value of output in the United States.
 - d. provides the best measure of output in the United States.
 - e. measures the value correctly because price changes always capture the value of quality changes.
10. Personal income minus personal taxes is:
- a. **disposable personal income.**
 - b. net national income.
 - c. proprietors' income.
 - d. indirect business taxes.
 - e. savings income.