Quiz # 1
(Monday, February 1)

1. We would expect a macroeconomist, as opposed to a microeconomist, to be particularly interested in
   a. explaining how economic changes affect prices of particular goods.
   b. devising policies to deal with market failures such as externalities and market power.
   c. devising policies to promote low inflation.
   d. identifying those markets that are competitive and those that are not competitive.

2. Which of the following statistic is usually regarded as the best single measure of a society’s economic well-being?
   a. the unemployment rate
   b. the inflation rate
   c. gross domestic product
   d. the trade deficit

3. If an economy’s GDP rises, then it must be the case that the economy’s
   a. income rises and saving falls.
   b. income and saving both rise.
   c. income rises and expenditure falls.
   d. income and expenditure both rise.

4. In a simple circular-flow diagram,
   a. households spend all of their income.
   b. all goods and services are bought by households.
   c. expenditures flow through the markets for goods and services, while income flows through the markets for the factors of production.
   d. All of the above are correct.

5. In order to include many different goods and services in an aggregate measure, GDP is computed using, primarily,
   a. values of goods and services based on surveys of consumers.
   b. market prices.
   c. consumer and producer surpluses.
   d. costs of producing goods and services.

6. Which of the following is correct?
   a. The market value of rental housing services is included in GDP, but the market value of owner-occupied housing services is not.
   b. The market value of owner-occupied housing services is included in GDP, but the market value of rental housing services is not.
   c. The market values of both owner-occupied housing services and rental housing services are included in GDP.
   d. Neither the market value of owner-occupied housing services nor the market value of rental housing services is included in GDP.
7. Over the last few decades, Americans have chosen to cook less at home and eat more at restaurants. This change in behavior, by itself, has
   a. reduced measured GDP.
   b. not affected measured GDP.
   c. increased measured GDP only to the extent that the value of the restaurant meals exceeded the value of meals previously cooked at home.
   d. increased measured GDP by the full value of the restaurant meals.

8. Which of the following is not included in GDP?
   a. carrots grown in your garden and eaten by your family
   b. carrots purchased at a farmer’s market and eaten by your family
   c. carrots purchased at a grocery store and eaten by your family
   d. More than one of the above is not included in GDP.

9. A steel company sells some steel to a bicycle company for $150. The bicycle company uses the steel to produce a bicycle, which it sells for $250. Taken together, these two transactions contribute
   a. $150 to GDP.
   b. $250 to GDP.
   c. between $250 and $400 to GDP, depending on the profit earned by the bicycle company when it sold the bicycle.
   d. $400 to GDP.

10. Which of the following events would cause GDP for 2007 to increase?
    b. In February 2007, Amanda buys a ticket to visit a zoo in Florida. She visits the zoo in April 2007.
    c. In December 2007, Isabella eats onions that she harvested from her backyard garden in October 2007.
    d. All of the above are correct.