

Answer Key

1. A
2. A
3. D
4. B
5. D
6. B
7. C
8. B
9. B
10. C
11. B
12. A
13. A
14. A
15. D
16. A
17. B
18. C
19. C
20. D
21. D
22. B
23. B
24. B
25. D
26. C
27. B
28. B
29. C
30. Some possible, but not all, explanations include:
 - a. different price levels in the two countries would result in different amounts of real GDP, i.e., different quantities of goods and services available in each country;
 - b. different-sized populations could result in different quantities of goods and services available per person in each country;
 - c. different levels of nonmarket production in the two countries would alter the quantity of goods and services available in each country;
 - d. different amounts of leisure time available (not captured in nominal GDP figures) would cause economic well-being to differ in the two countries;
 - e. different distributions of income in the two countries could alter the quantity of goods and services available to the typical citizen in each country;
 - f. different quantities of both positive and negative externalities associated with producing GDP, such as pollution and congestion, which are not measured in GDP, would cause the different levels of economic well-being between the two countries.

31.
 - a. The official measure of GDP does not include measurements of leisure time available, nonmarket production, production in the underground economy, the distribution of income, or production externalities (e.g., pollution).
 - b. The CPI does not allow substitution away from products with rising prices and has difficulty distinguishing between price changes and quality changes in products included in the index.
 - c. The official unemployment rate does not take into account discouraged workers, part-time workers who desire full-time employment, and workers employed in jobs not matching their skill level, such as taxi drivers with PhDs in physics.
32. If the number of self-employed workers and workers employed in new start-up firms (who are included in the household survey, but not in the establishment survey) has increased more rapidly than the decline in payroll jobs counted in the establishment survey, then the number of employed workers as measured in the household survey could increase while the number of payroll jobs decreases.
33.
 - a. GDP in 2009 increases by the purchase price of the house, which is a newly produced good.
 - b. GDP in 2009 does not change because the house is *not* a newly produced good, since it was built in 2001. Transactions involving used goods are not included in GDP.
 - c. GDP in 2009 does not change directly because the windows are intermediate goods, not final goods. The value of intermediate goods is not included in GDP to avoid double counting. The value of the windows is implicitly included in the price of the house.
 - d. GDP in 2009 does not change because home production is not included in GDP.
 - e. GDP in 2009 does not change because financial transactions do not represent the production of final goods and services and are not included in GDP.