

Chapter 12 Test, Form A

Evaluating the Economy

DIRECTIONS: Matching Match each item with the correct statement below.

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| 1. _____ unreported activities that do not show up in GDP statistics | A. current GDP |
| 2. _____ gross domestic product expressed in constant dollars | B. disposable personal income (DPI) |
| 3. _____ gross domestic product unadjusted for inflation | C. fertility rate |
| 4. _____ the annual market value of goods and services produced by a country's residents | D. gross national product (GNP) |
| 5. _____ total amount of income in the consumer sector before income taxes are paid | E. Medicaid |
| 6. _____ total income available to the consumer sector after income taxes are paid | F. negative income tax |
| 7. _____ average number of children that 1,000 women are expected to bear in their lifetime | G. net immigration |
| 8. _____ population difference between those who leave a country and those who move there | H. personal income (PI) |
| 9. _____ federal-state health insurance program for low-income people | I. real GDP |
| 10. _____ proposed tax system that would give cash payments to low-income individuals | J. underground economy |

DIRECTIONS: Multiple Choice Indicate the answer choice that best completes the statement or answers the question.

- _____ **11.** Why are intermediate products excluded from macroeconomic calculations of GDP?
- because those products are goods, not services
 - because their value is included in that of the final product
 - because the GDP is a measure of market output on a local level
 - because the GDP is a measure of market output on a national level
- _____ **12.** Which of these is an example of a nonmarket transaction?
- maintaining a newspaper route
 - babysitting as a favor to a friend
 - mowing lawns to earn spending money
 - paying a consultant for ideas on how to improve a product

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- _____ 13. Which of these would **most** likely negatively impact a country's overall level of income?
- A. a decrease in demand for new automobiles
 - B. a decrease in demand for used automobiles
 - C. increased tourist activity during the summer months
 - D. increased commercial activity during the year-end holiday season
- _____ 14. Which of these **best** describes how a business's creation of output affects individuals?
- A. It results in the establishment of a base year.
 - B. It generates jobs and therefore increases income.
 - C. It increases the number of nonmarket transactions.
 - D. It reduces the number of secondhand sales and therefore decreases income.
- _____ 15. Which of these describes the overall trend in U.S. population since the 1970s?
- A. The North and the East have seen greater growth than the West and the South.
 - B. The East and the West have seen greater growth than the North and the South.
 - C. The North and the South have seen greater growth than the East and the West.
 - D. The West and the South have seen greater growth than the North and the East.
- _____ 16. Which of these is true of the U.S. fertility rate at present?
- A. It is far below the replacement population rate.
 - B. It is barely above the replacement population rate.
 - C. It is slightly below the replacement population rate.
 - D. It is roughly equal to the replacement population rate.
- _____ 17. Which of these describes the relationship of demographers to our nation's infrastructure?
- A. Demographers compile population information needed to maintain the infrastructure.
 - B. Demographers track the GDP to keep our infrastructure competitive with other nations.
 - C. Demographers study the infrastructure of rural areas, so it can be duplicated in urban areas.
 - D. Demographers track the center of population, so the infrastructure can be moved as needed.
- _____ 18. Which of these is **not** considered when determining whether someone falls below the poverty threshold?
- A. the amount of his or her income
 - B. the effects of inflation on food prices
 - C. whether he or she receives food stamps
 - D. results of government studies on poverty

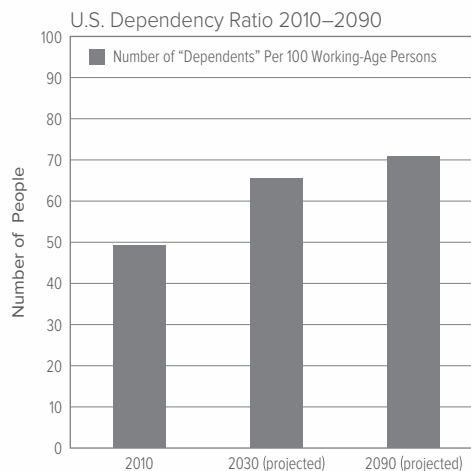
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- _____ 19. Which of these is one of the two **biggest** reasons for the nation's widening income inequality?
- A. differences in education level
 - B. a decline in union membership
 - C. an increase in service-sector jobs
 - D. discrimination against women and minorities
- _____ 20. What sort of work is usually required of those participating in workfare programs?
- A. clerical work
 - B. manufacturing work
 - C. service industry work
 - D. community service work

DIRECTIONS: Essay Write a short essay to answer each of the following questions.

21. Define the term "GDP," and state why it is a macroeconomic concept. Then analyze and explain how it is calculated, naming at least **two** types of income-producing activities that are excluded and explaining why.
22. Analyze the information on this chart and answer the questions below.



- a. Which two age groups comprise the sector of the population being charted?
- b. How is the composition of that sector likely to change as time passes?
- c. What are the implications of these changes on: Social Security and Medicare programs, medical and retirement facilities, and educational facilities?

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- 23.** Analyze and explain the connection between wealth inequality, education inequality, and income inequality.
- 24.** What types of regional changes could account for the westward shift in the population center of the United States since 1790?