

Chapter 15, question 14

[Economics](#), [Macroeconomics](#)



Chapter 15, Question 14 What are some of the limitations of the national income accounts in how they represent our standard of living? In order to know the limitations of Americas National income accounts and how they represent our standard of living, it is necessary to know our GNP or Gross National Product. According to Chron. com, a business expert web site, it is the total output of our economy. It is said that the production output of America is directly related to how well we are living, our economy is doing, and also how well we are prepared for any sudden disruptions in the course our economy would take. With the GNP defined, one of the limitations that represents Americas standard of living would be services that are not considered in the GNP. These can still have an effect, but are not considered for various reasons including the government not gaining taxes from it or illegal activity. Any of these are understandable to not consider due to the fact that they are not something America can rely on as solid figures compared to an employer's payout wages. This however is not something to totally ignore. These services are called Omission or Underestimation. The drug trade is a large black market, although there are no solid figures that economists have been able to gain due to the nature of product, it is widely known that much activity is involved in the trade which means large figures in the millions per year for how much dealers can make and buyers will spend. Chapter 16, Question 5 Why is frictional unemployment important to have in any economy? This type of unemployment is beneficial to workers because it allows them to seek for jobs they want the most or jobs those best suits them. It also benefits companies, because it allows them to choose from among the best talent. The absence of frictional unemployment entails

people to remain in the same jobs for life, creating a stagnant system that suppresses innovation and rusticates skills. Frictional unemployment is important in the economy because it matches the demand for worker with supply and brings equilibrium into the labor market. Frictional employment arises from those candidates that are just leaving from colleges and those who are unemployed because they are changing jobs. Frictional unemployment is present because there is imperfect information in the labor market and workers have to search for employment suitable for them.

Chapter 16, Question 6 Explain why hyperinflation has such a devastating impact on economies. Explain what it takes to stop hyperinflation.

Hyperinflation has a devastating effect on economies for two reasons. Firstly, one function of money is a store of value. Hyperinflation destroys this stored value making people less well off. If people lose all stored value, they are unable to consume or invest nearly as much because they have much less wealth than before. Secondly, prices carry information. Worrying about the volatility of prices increases the cost of economic transactions since the current value of currency must be taken into account. In the long run, reining in government expenditure is a major component of preventing hyperinflationary spirals from developing. However, in the short-run, hyperinflation is only stopped by restoring faith that the currency in question will hold its value.