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ECON 1101-Macroeconomics
Due: February 14th

PART 1:
Review questions from Chapter 6

13. "Would you usually expect GDP as measured by what is demanded to be greater than GDP measured by what is supplied, or the reverse?"

You would usually expect GDP as measured by what is demanded to be greater than what is supplied.

14. "Why must you avoid double counting when measuring GDP?"

You must avoid double counting when measuring GDP because a goods/service going through production would be counted more than once. To avoid this problem the government has final goods and services placed after the product went through its full production.

18. "What are the two main difficulties that arise in comparing different countries's GDP?"

GDP statistics vary from different countries due to different currencies each country has. For example, one country's currency might have more value than another country's. Another main issue is that each country has different populations. GDP is measured by comparing standards of living, therefore it would need to be converted into GDP per person.

19. "List some of the reasons why economists should not consider GDP an effective measure of the standard of living in a country."

Economists should not consider GDP an effective measure of the standard of living because the standard of living looks at the values beyond the production and market sellings. For example, we can see how much is being spent on services like health care, but we don't see how much it benefits each individual in the country. Another good example is a country spending goods on helping to ease poverty, but it doesn't show every person who is expected to get it, will.

PART 2:

From the table:

1. Personal consumption expenditures: $15,750
2. Gross private domestic investment: $4,107.80
3. Government consumption expenditures and gross investment: $4,051.60
4. Net exports of goods and services: $-916.00

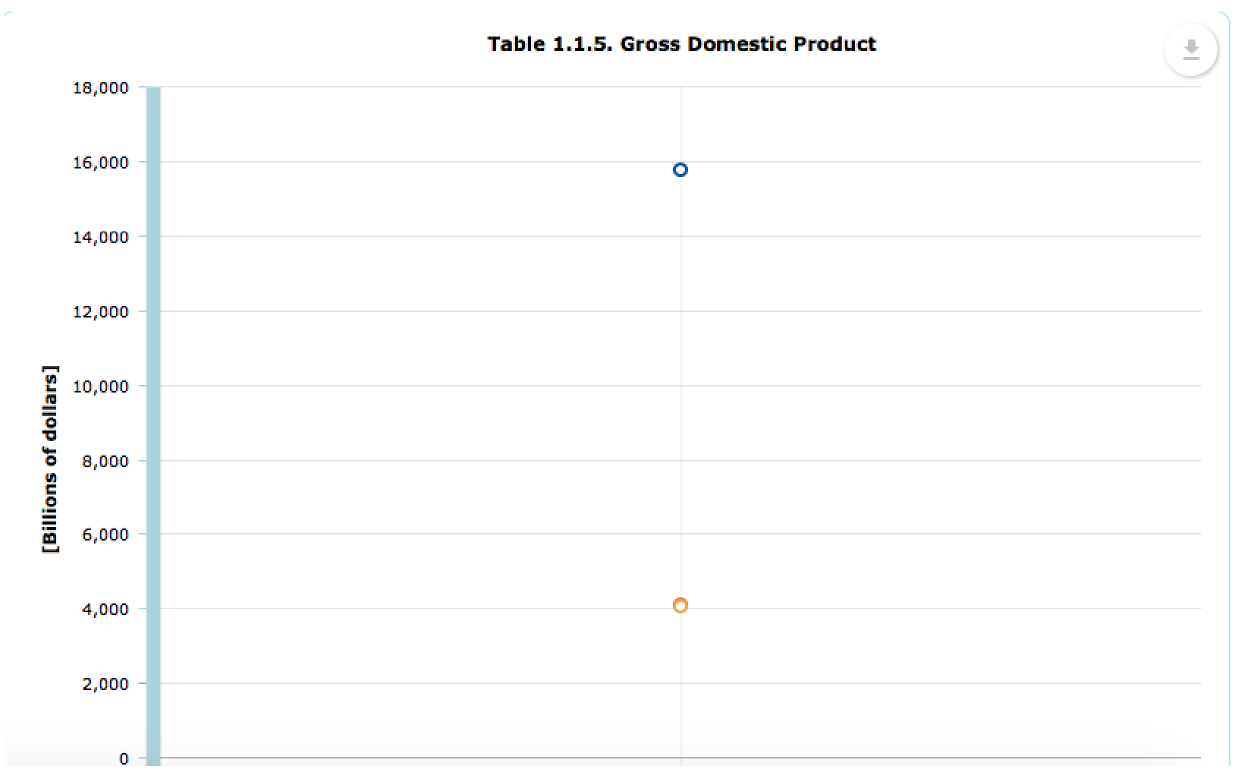
Define the above

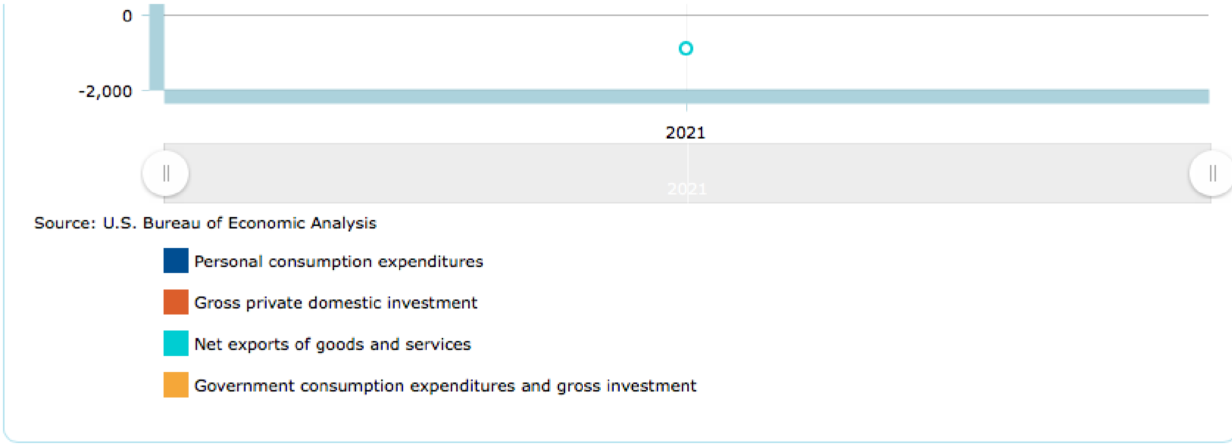
1. Personal consumption expenditures is the value of goods or services purchased by, or on the behalf of US residents/citizens.
2. Gross private domestic investment is the amount of money that domestic businesses invest in their own country of residence.
3. Government consumption expenditures is the government's spending to provide services to the public such as education or a military. Whereas governments gross investment consists of the spending on the fixed assets in a society that directly benefit the public. An example of this would be road construction.
4. Net exports of goods and services is the difference between the *export* of the US goods and services and US *import* of goods and services.

Sum of all four figures:

$15,750 + $4,107.80 + $4,051.60 - $916.00 = $22,993.50

The sum of these figures is the GDP.





This data shows nominal GDP. Nominal GDP is given in current prices (without inflation) or in other words, is obtained by expressing values of all goods and services produced in the current reporting time.