Economics 100 Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Spring 2015

Quiz #4

1. GDP Measurement

a. (1 point) I sell my car, a 2005 Chevrolet, for $5,000 in May of 2015. This transaction will cause GDP in 2015 to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

b. (1 point) This week my stock broker convinced me to purchase $10,000 worth of stock. When she made this purchase for me I was charged a broker commission of $200. This transaction will cause GDP in 2015 to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

c. (1 point) Susie is a farmer that produces cotton and melons that she sells in a legal market for $38,500. In addition, Susie grows a substantial vegetable garden to feed her family. She estimates that the produce she grows in this garden reduces her grocery bill by $2800 each year. Susie's activity will cause GDP in 2015 to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

d. (1 point) Carter earns $40,000 working as a newspaper reporter and he reports these earnings on his tax return. In addition, he moonlights as a landscaper (lawn and gardening services plus snow removal) and gets cash payments from his customers of $5,000 per year: he does not report these earnings. The impact of Carter's activities on GDP this year can be measured as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

2. Use the following information to answer this set of questions.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Item | Price in 2012 | Quantity in 2012 | Price in 2013 | Quantity in 2013 | Price in 2014 | Quantity in 2014 |
| Bikes | $100 | 10 | $150 | 10 | $150 | 20 |
| Pencils | $1 | 100 | $1 | 100 | $2 | 50 |
| Telephones | $100 | 20 | $80 | 50 | $60 | 80 |

a. (2 points) What is nominal GDP for 2012, 2013, and 2014? Provide any formula you use and show your work.

b. (2 points) What is real GDP for 2012, 2013, and 2014 using 2012 as the base year? Provide any formula you use and show your work.

c. (2 points) Did this economy's level of production increase, decrease, or remain the same over this three year period? Explain your answer fully.