

AP Macro Unit 2 Review Station #2 – All about GDP

1. Use the following table to answer the questions below:

Year	Nominal GDP	Real GDP (in 1960 dollars)	Population	GDP Deflator	Real GDP per capita
1960	\$1526.40	\$1,526.40	35		
1970	2678.90	2236.87	40		
1980	3659.80	3125.90	42		

- a. Calculate the GDP Deflator for each year and enter it in the table.
- b. Which year is the base year? How do you know?
- c. Calculate the Real GDP per capita for each year and enter it in the table.
- d. In which year was the standard living the best for this country? How do you know?
- e. What is the Real GDP Growth Rate from 1960 to 1980? Real GDP/capita growth rate? Did the country's standard of living for the average person grow more or less than the country's overall wealth? Why?
- f. What is the Inflation Rate between 1960 to 1980? 1970 to 1980?

2. Five DIFFERENT types of transactions that would be EXCLUDED from a calculation of GDP.

- a.
- b.
- c.
- d.
- e.

3. Give the components of the Expenditure and Income Approaches to calculating GDP.

Expenditure Approach	Income Approach
a.	a.
b.	b.
c.	c.
d.	d.

4. Explain the net exports component of GDP.

5. List three transactions counted as investment spending in GDP.

- a.
- b.
- c.

6. The difference between nominal and real is:

7. Label each part as you answer it below. For each letter, indicate whether the purchase is “counted” or “not counted” in 2011 GDP. You MUST give a one sentence explanation for each. If “counted”, tell into which component of GDP it falls. If “not counted”, give the reason why it is not counted.

(a) The value of a bag of flour purchased in 2011 by a father who wants to make a birthday cake for his child.

(b) Interest paid in 2011 on a loan for a machine purchased in 2007.

(c) Commission earned by a real estate agent in 2011 for the sale of a house built in 1950.

(d) Auto parts sold by AutoZone in 2011.

(e) General Motor’s December 2010 inventory of cars sold in January 2011.

(f) Using the table below, give the total GDP for this country: _____

Table 8.1A

Consumption expenditures	\$1,500
Total government spending	590
Investment Spending	355
Imports	50
Exports	70

(g) Give two problems associated with using GDP as a measure of economic progress.