Unit 2 Week 2 Practice Problems **Name: _____**

In each of the following cases, determine how much GDP and each of its components is affected (if at all).

1. Debbie spends $200 to buy her husband dinner at the finest restaurant in Boston.

2. Sarah spends $1800 on a new laptop to use in her publishing business. The laptop was built in China.

3. Jane spends $1200 on a computer to use in her editing business. She got last year's model on sale for a great price from a local manufacturer.

4. General Motors builds $500 million worth of cars, but consumers only buy $470 million worth of them.

	Pizza		Latte	
Year	***P***	***Q***	***P***	***Q***
2002	$10	400	$2.00	1000
2003	$11	500	$2.50	1100
2004	$12	600	$3.00	1200

5. Based on the data above, compute the nominal GDP for each year as well as the change in nominal GDP from 2002-2003 and 2003-2004.

6. Based on the data above, use 2002 as the base year and compute the real GDP for each year as well as the change in real GDP from 2002-2003 and 2003-2004.

Year	Nominal GDP	Real GDP
2002	$6000	$6000
2003	$8250	$7200
2004	$10,800	$8400

7. Based on the data above, calculate the change in real and nominal GDP from 2002-2003 and 2003-2004.

8. Based on the data above, compute the GDP Deflator for each year as well as the change in the GDP Deflator from 2002-2003 and 2003-2004.

	2004 (base yr)		2005		2006	
	P	*Q*	*P*	*Q*	*P*	*Q*
good A	$30	900	$31	1,000	$36	1050
good B	$100	192	$102	200	$100	205

Use the above data to solve these problems:

9. Compute nominal GDP in 2004.

10. Compute real GDP in 2005.

11. Compute the GDP deflator in 2006.