

# [Econ learning catalytics review](https://assignbuster.com/econ-learning-catalytics-review/)

\*During a business cycle expansion, total production \_\_\_\_\_\_\_\_ and total employment \_\_\_\_\_\_\_\_.\*

increases; increases

increases; decreases

decreases; increases

decreases; decreases

\*increases; increases\*

\*Why?\* The economy will be expanding which means that production will increase and when production increases they need more workers so more people will be employed

\*Suppose in 2017 you purchase a house built in 2003. Which of the following would be included in the gross domestic product for 2017?\*

the value of the services of the real estate agent

the value of the house in 2017 less depreciation

the value of the house in 2017

the value of the house in 2003

\*the value of the services of the real estate agent\*

\*Why?\* GDP only includes the value of final goods and services. Since the house was built in 2003, its value is included in 2003. The only added value is the service by the real estate agent.

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\*Investment 300\*   
\*Government Purchases 300\*   
\*Government Transfer Payments 400\*   
\*Exports 300\*   
\*Imports 100\*

What is gross domestic product for this economy?

\*Answer: 1600\*

GDP = C + I + G + NX = 800 + 300 + 300 + (300-100)

\*Which of the following is an example of an intermediate good?\*

A new car.

A used car.

New rims to replace old rims on a used car.

The rims on a new car.

\*The rims on a new car.\*

\*Why?\* Intermediate goods are things that go into the final product. The rims are the intermediate good and its part of the current GDP

\*Nominal GDP will increase\*

only if the price level rises.

if either the price level or the quantity of goods and services produced rises.

only if the quantity of goods and services produced rises.

only if the price level falls.

\*if either the price level or the quantity of goods and services produced rises.\*

\*Why?\* Nominal GDP is the sum of the value of all final goods and services produced in an economy: P\*Q

Year Nominal GDP Real GDP   
2015 14, 078 13, 254   
2016 14, 441 13, 312

\*What is the GDP deflator for 2015?\*

\*106. 22%\*

\*Why?\* GDP deflator = Nominal GDP/Real GDP x 100%

\*The labor force equals the number of people who are\*

unemployed

in the working-age population

employed plus unemployed

employed

\*employed plus unemployed\*

\*Why?\* because the Labor Force= employed + unemployed