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.

Consumption $800

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