

Questions *Macroeconomics* (with answers)

1 Gross domestic product (GDP) and living standard

01 Gross domestic product 1

Are these activities part of GDP?

- ① Mrs Miller picks flowers in her garden.
- ② Fruits are sold on the market.
- ③ Patients, hurt in a car accident, are treated in a hospital.
- ④ Pensioners do community work for free.
- ⑤ A garage buys spare tyres to sell them to customers next year.

02 Gross domestic product 2

By which methods can GDP be calculated?

03 Gross domestic product 3

Calculate GDP:

- | | |
|----------------------------|-----|
| • Consumption (C) | 310 |
| • Investment (I) | 115 |
| • Government purchases (G) | 60 |
| • Exports (X) | 305 |
| • Imports (M) | 245 |

04 Gross domestic product 4

Abbreviations in 03, in addition $T = \text{Taxes}$ / $S = \text{Saving}$

- ① Explain the elements of this formula: $(I - S) + (G - T) + (X - M) = 0$
- ② What can be concluded if $G > T$ and simultaneously $I > S$?

05 Gross domestic product 5

Abbreviations in 03 and in 04

Calculate:

- ① X
- ② GDP

by taking the following data into account:

- | | |
|-----|-----|
| • G | 60 |
| • I | 40 |
| • M | 150 |
| • S | 30 |
| • T | 80 |
| • C | 240 |

06	<p>Value added</p> <p>Calculate the value added, used for calculating GDP:</p> <ul style="list-style-type: none"> • Input goods 60 • Output 230 • Pollution due to the production process (estimated) 5
07	<p>Investment</p> <p>Calculate investment:</p> <ul style="list-style-type: none"> • Purchases of capital equipment 65 • Investment in buildings 50 • Decrease in stocks 5
08	<p>Consumption 1</p> <p>① Explain the components of this consumption function: $C = 100 + 0.85 \cdot Y_D$</p> <p>② Using the consumption function in ①, calculate C if $Y_D = 1400$.</p> <p>③ Using the consumption function in ①, calculate Y_D if C = 1600.</p>
09	<p>Consumption 2</p> <div style="text-align: center;"> </div> <p>Now consumption rises substantially. What happens to GDP and to the price level?</p>
10	<p>Living standard</p> <p>Is real GDP, used exclusively, a good indicator for the living standard in a country?</p>

→ **Answers. Click here!**