

Econ_101_Spring 2007_IVY Tech College
Chapter_10: Sample questions_Solutions

2. Calculate real GDP using prices from 2004. By what percent did real GDP grow?
Real GDP for 2004 = 24000. Real GDP for 2005 = 25500. Growth = 6.25%
4. Are unemployment benefits included in GDP?
No. Transfer payments are not included. Only the values of final goods and services produced domestically are included.
5. Suppose someone told you that the value of a price index in a country was 115. Is this information, by itself, useful?
Not particularly. All this tells you is that prices in that country are 15% higher than they were in some unspecified year.
7. Consumer durables depreciate over time. In your household, which consumer goods have substantial depreciation? Can you estimate the value of depreciation in a given year for consumer goods in your household?
Examples: refrigerator, car, dishwasher, furniture, etc. Try and guess how long a refrigerator or car should last and that will give the depreciation rate.
10. When we calculate value-added, we add up the value created in all organizations, even those producing intermediate goods. Can you explain why this does not cause double-counting?
The value-added of an organization is the *difference* between the value of a good leaving an organization and the value of the good entering the organization.
11. Can you provide an explanation of why measures of perceived happiness have been declining over the last 30 years but, during any single year, people with higher income still report higher levels of happiness?
Within a given year, individuals with higher incomes report higher levels of personal satisfaction relative to individuals with lower incomes, holding other factors constant, as if money does buy happiness. However, the decline that was observed over time might be due to the increased stresses and the ever faster pace of everyday life.