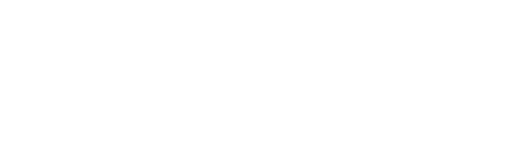
**GDP in the Economy**

1. Calculate the gross domestic product using these figures. Consumer spending = $1,000

Investment spending = $200 Government spending = $500 Imports = $75



**GDP =**

Exports = $50

Transfer payments = $50

1. The economy of Doraville produces three goods: pizza, lemons, and watches. The table below provides information about the prices and output for these goods for Years 1-3. Use the table to answer the questions that follow.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Price of Ear Buds** | **Quantity of Ear Buds** | **Price of Lemons** | **Quantity of Lemons** | **Price of Watch es** | **Quantity of Watches** |
| **Year 1** | $40 | 100 | $1 | 200 | $80 | 10 |
| **Year 2** | 45 | 110 | $1 | 216 | $82 | 12 |
| **Year 3** | 45 | 110 | $1 | 220 | $85 | 12 |

1. Calculate the nominal GDP for each year.

Nominal GDP for Year 1 = Nominal GDP for Year 2 = Nominal GDP for Year 3 =

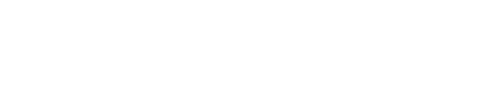
1. What was the percent change in nominal GDP from Year 1 to Year 2?
2. What was the percent change in nominal GDP from Year 2 to Year 3?
3. Using Year 1 as the base year, calculate the real GDP for each year.

Real GDP for Year 1 = Real GDP for Year 2 = Real GDP for Year 3 =

# GDP in the Economy Answer Key

## Calculate the gross domestic product for the economy below.

Consumer spending = $1,000 Investment spending = $200 Government spending = $500 Imports = $75



**GDP** = *$1,000 + $200 + $500 -*

*$75 + $50 = $1,675*

Exports = $50

Transfer payments = $50

* 1. The economy of Doraville produces three goods: pizza, lemons, and watches. The table below provides information about the prices and output for these goods for Years 1-3. Use the table to answer the questions that follow.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Price of Ear Buds | Quantity of Ear  Buds | Price of Lemons | Quantity of Lemons | Price of Watches | Quantity of  Watches |
| Year 1 | $40 | 100 | $1 | 200 | $80 | 10 |
| Year 2 | 45 | 110 | 1 | 216 | 82 | 12 |
| Year 3 | 45 | 110 | 1 | 220 | 85 | 12 |

* 1. Calculate the nominal GDP for each year.

Nominal GDP for Year 1 = *($40 x 100) + ($1 x 200) + ($80 x 10) = $5,000* Nominal GDP for Year 2 = *($45 x 110) + ($1 x 216) + ($82 x 12) = $6,150* Nominal GDP for Year 3 = *($45 x 110) + ($1 x 220) + ($85 x 12) =* $6,190

## What was the percent change in nominal GDP from Year 1 to Year 2?

*($6,150 - $5,000) / $5,000 = 0.23 x 100 = 23% increase*

* 1. What was the percent change in nominal GDP from Year 2 to Year 3?

*($6,190 - $6,150) / $6,150 = 0.006 x 100 = 0.6% increase*

* 1. Using Year 1 as the base year, calculate the real GDP for each year.

Real GDP for Year 1 = *($40 x 100) + ($1 x 200) + ($80 x 10) = $5,000* Real GDP for Year 2 = *($40 x 110) + ($1 x 216) + ($80 x 12) = $5,576* Real GDP for Year 3 = *($40 x 110) + ($1 x 220) + ($80 x 12) = $5,580*