

ACTIVITY 9

All About GDP

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**Part A. Is This Counted as Part of GDP?**

Which of the following are *included* and which are *excluded* in calculating this year's GDP? Explain your decisions.

1. A monthly check received by an economics student who has been granted a government scholarship.
2. A farmer's purchase of a new tractor.
3. A plumber's purchase of a used truck.
4. The cashing of a U.S. government bond.
5. The services of a mechanic in fixing the radiator on his car.
6. A Social Security check paid by the government to a retired store clerk.
7. An increase in business inventories.
8. The government's purchase of a new submarine for the Navy.
9. A barber's income from cutting hair.
10. Income received from the sale of Nike stock.

**ACTIVITY 9 continued**

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**Part B. GDP: Is It Counted and Where?**

For each of the following items, write one of the following in the space provided:

- C** if the item is counted as *consumption*.
- I** if the item is counted as *investment*.
- G** if the item is counted as *government*.
- N** if the item is *not* counted in GDP.

- \_\_\_ 1. You spend \$7.00 to attend a movie.
- \_\_\_ 2. A family pays a contractor \$100,000 for a house he built for them this year.
- \_\_\_ 3. A family pays \$75,000 for a house built three years ago.
- \_\_\_ 4. An accountant pays a tailor \$175 to sew a suit for her.
- \_\_\_ 5. The government increases its defense expenditures by \$1,000,000,000.
- \_\_\_ 6. The government makes a \$90 Social Security payment to a retired person.
- \_\_\_ 7. You buy General Motors stock for \$1,000 in the stock market.
- \_\_\_ 8. At the end of a year, a flour-milling firm finds that its inventories of grain and flour are \$10,000 above the amounts of its inventories at the beginning of the year.
- \_\_\_ 9. A homemaker works hard caring for her spouse and two children.
- \_\_\_ 10. Ford Motor Company buys new auto-making robots.
- \_\_\_ 11. You pay \$300 a month to rent an apartment.
- \_\_\_ 12. Apple Computer Company builds a new factory.
- \_\_\_ 13. R.J. Reynolds Company buys control of Nabisco.
- \_\_\_ 14. You buy a new Toyota that was made in Japan.
- \_\_\_ 15. You pay tuition to attend college.

**Part C. Why Are Things Counted or Not Counted in GDP?**

1. We count only the final retail price of a new good or service in GDP. Why?
  
  
  
  
  
  
  
  
  
  
2. A purely financial transaction will not be counted in GDP. Why not?
  
  
  
  
  
  
  
  
  
  
3. When a homeowner does home improvement work, the value of the labor is not counted in GDP. Why not?