

GDP Free-Response Questions. Read the following and respond accordingly:

1. Will each of the following transactions be included in GDP for the United States? Explain why or why not.
 - (a) Coca-Cola builds a new bottling plant in the United States.
 - (b) Delta sells one of its existing airplanes to Korean Air.
 - (c) Miss Moneybags buys an existing share of stock in Whitfield Enterprises, Inc.
 - (d) A California winery produces a bottle of Chardonnay and sells it to a customer in Montreal, Canada – eh?
 - (e) An American buys a bottle of French perfume – ooh la-la! – in Tulsa.
 - (f) A book publisher produces too many copies of a new book; the books don't sell this year, so the publisher adds the surplus books to inventories.

2. The value of all the following goods is included in the calculation of aggregate output EXCEPT:

- A) the value of Firestone tires sold at your local garage.
- B) the value of a new shower installed in a recently purchased 1920's house.
- C) the value of the 6-CD player installed to replace the factory-mounted radio-cassette in your new car.
- D) the value of Firestone tires installed on brand-new Volvo station wagons.

3. Suppose that Mr. Green Jeans sells \$5,000 of wheat to Big Ben Bakery. Big Ben uses the wheat to make flour and then hamburger buns, which they sell to Hamburger Heaven for \$11,000. Hamburger Heaven also buys \$20,000 of beef from a rancher. Hamburger Heaven uses the beef and buns to make 10,000 hamburgers which are sold for \$5 each. How much do these transactions add to GDP?

- A) \$86,000
- B) \$36,000
- C) \$31,000
- D) \$50,000

4. Which of the following is included in GDP?

- A) the purchase of 100 shares of Microsoft stock
- B) the purchase of a 1965 Ford Mustang
- C) Social security payments from the U.S. government to retired people
- D) the purchase of a ticket to a Rolling Stones concert