All About GDP

Part A
Is This Counted as Part of GDP?
Which of the following are included and which are excluded in calculating 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 two-year-old used truck
4. Cashing a U.S. government bond
5. The services of a mechanic in fixing the radiator on his own car
6. A Social Security check from 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

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 spending*.
- I if the item is counted as *investment spending*.
- G if the item is counted as *government spending*.
- NX if the item is counted as *net exports*.
- NC if the item is *not counted* in GDP.

___ 11. You spend $7.00 to attend a movie.

___ 12. A family pays a contractor $100,000 for a house he built for them this year.

___ 13. A family pays $75,000 for a house built three years ago.

___ 14. An accountant pays a tailor $175 to sew a suit for her.

___ 15. The government increases its defense expenditures by $1,000,000,000.

___ 16. The government makes a $300 Social Security payment to a retired person.

___ 17. You buy General Motors Corp. stock for $1,000 in the stock market.

___ 18. 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.

___ 19. A homemaker works hard caring for her spouse and two children.


___ 21. You pay $300 a month to rent an apartment.


___ 23. R.J. Reynolds Co. buys control of Nabisco.

___ 24. You buy a new Toyota that was made in Japan.

___ 25. You pay tuition to attend college.
Part C
Why Are Items Counted or Not Counted in GDP?

26. We count only the final retail price of a new good or service in GDP. Why?

27. A purely financial transaction will not be counted in GDP. Why?

28. When a homeowner does home-improvement work, the value of the labor is not counted in GDP. Why?