

## Homework # 4 - Review of Macroeconomic Economic Statistics

Name:

1. Roofer Rob typically charges \$10,000 to put a roof on a house. However, he tells his friend Homeowner Hank that he will re-roof his house for only \$3000 and the cost of materials. The Roofer Rob has to buy \$2000 in materials to complete the job. How much has this added to GDP?

2. Hot Rod Harry is a professional in car restoration. He bought the body of a 56 Chevy at a junkyard for \$500. He then put in \$3000 of his own time into building the frame into a custom built roadster. In the process he spends \$10,000 in new parts. When he is all done, a car collector offers him \$20,000 for the car. Hot Rod Harry declines the offer and keeps the car in his home showroom. How much has this added to GDP?

3. Use the table to the right showing a country that only produces a single type of good, the price for that good and the population to answer the next two questions.

	Price	Good	Population
Year One	\$5	50	125
Year Two	\$10	75	150

A. Using Year One as the base year, what is the Nominal GDP and the Real GDP for this country in Year Two.

B. How does the real GDP per capita in Year One compare with the real GDP per capita in Year Two? Is the population better off in Year Two?

4. Use the table to the right that shows the price information for a country that produces three goods to answer the following question.

	Price of Good # 1	Price of Good # 2	Price of Good # 3
Year One	\$2	\$10	\$5
Year Two	\$1	\$20	\$6

The market basket in this economy is ten of good # 1, one of good # 2 and five of good # 3.

What is the rate of inflation in this economy from Year One to Year Two?

5. The country of Elbonia has a population of 1600 people. Currently 500 people are either too young to be legally employed for work or are retired. In this population there are 100 people who are unemployed and actively looking for work and 100 people are unemployed but are not actively looking for work. Use this information to answer the following questions:

A. What is the current unemployment rate in Elbonia?

B. The economy of Elbonia improves and the 60 people who are currently not looking for work decide to begin looking for work (however, they have not yet found work). What is the unemployment rate in Ebonia now?