GDP Assessment Questions

1. *A restaurant buys strawberries to make a smoothie. The purchase of the strawberries is added to GDP under consumption.*

   a) True
   b) False

2. *Which of the following macroeconomic indicators is real GDP per capita generally correlated with? Mark all that apply.*

   a) Literacy
   b) Life expectancy
   c) Happiness
   d) Poverty

3. *If real GDP is $100 and the number of people in a country is 20, then real GDP per capita in that country is:*

   a) $5
   b) $100
   c) $200
   d) $2000

4. *Prices typically rise for similar goods over time, the economic term for this is_____.*

   a) Nominal GDP
   b) Real GDP
   c) Inflation
   d) Deflation
   e) Annoying

5. *Suppose two countries start out with the same GDP. If country A's GDP grows by 1% each year and Country B's GDP grows by 2% each year, how much bigger will country B's GDP be in 70 years?*

   a) Twice as big
   b) Four times as big

c) Eight times as big
d) Sixteen times as big

6. *Which GDP measure best approximates the standard of living over time?*

a) Nominal GDP
b) Real GDP
c) Nominal GDP per capita
d) Real GDP per capita

7. *Which of the following are NOT included in GDP? Mark all that apply.*

a) A father taking care of his toddler
b) A professional nanny taking care of a toddler
c) An economics tutor teaching her students about GDP
d) Looking up GDP on Wikipedia
e) Buying a used record
f) Purchasing a new electronic music record

8. *A customer buys a strawberry smoothie from a restaurant. The purchase of the smoothie is added to GDP under consumption.*

a) True
b) False

9. *In which of the following scenarios does compound growth occur? Mark all that apply.*

a) Economic growth
b) Saving $1 per day under your mattress
c) Bacterial growth
d) Disease spread
e) Your height

10. *Imported oranges to the United States from the Dominican Republic are counted towards which country's GDP?*

a) The U.S.
b) The Dominican Republic

11. *The price of coffee increases, but the amount sold remains the same. What would increase?*

a) Nominal GDP

b)   Real GDP

12. *How much richer is the U.S. today compared to 1800 (note: the US has grown at roughly 2 percent per year since 1800)?*

a)   2 times
b)   4 times
c)   10 times
d)   More than 10 times

13. *If a country's nominal GDP increases by 100% from one year to the next, which of the following variables likely increased the most?*

a)   Literacy
b)   Inflation
c)   Happiness
d)   Life expectancy

14. *If the price of housing doubled over ten years, what was its growth rate according to the rule of 70?*

a)   1%
b)   7%
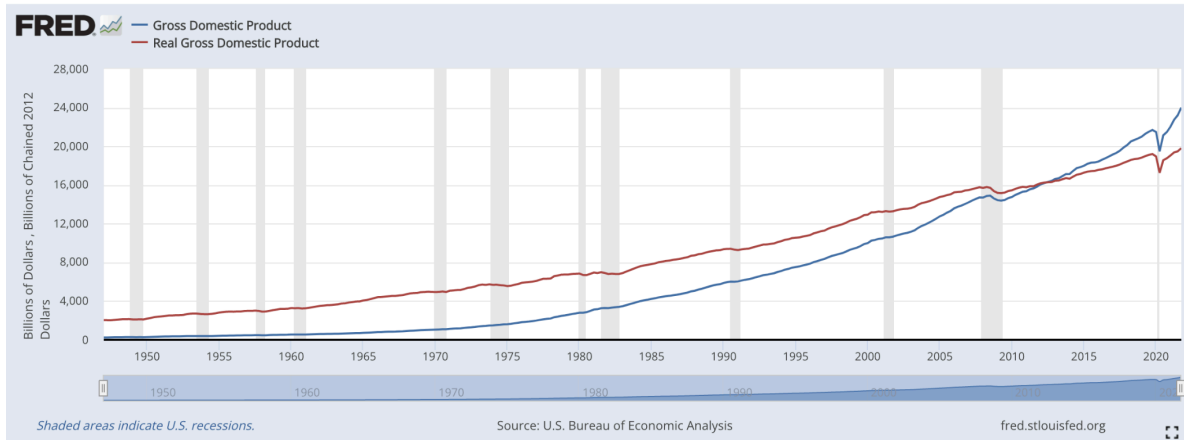c)   10%
d)   20%
e)   None of the above

Nominal and Real GDP in Turkey
1991-2011
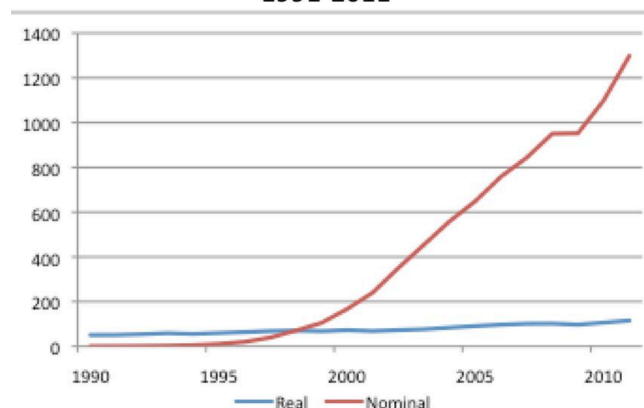
15. *Based on the above graph which shows nominal and real GDP, we can claim that:*
a)   Prices rose in Turkey
b)   Prices fell in Turkey

Short Essay Prompts

FRED — Gross Domestic Product
— Real Gross Domestic Product

Shaded areas indicate U.S. recessions. Source: U.S. Bureau of Economic Analysis fred.stlouisfed.org

16. *Using the above graph, name one period in U.S. history when Real GDP decreased?*

17. *What are some reasons why real GDP per capita is a good measure of a country's living standards? What are some reasons why it is not?*