



**STUDYDADDY**

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1.

<b>Good</b>	<b>Quantity produced in 2020</b>	<b>Price in 2020</b>	<b>Quantity produced in 2021</b>	<b>Price in 2021</b>
Ladders	20	\$50	20	\$75
Chairs	10	\$55	10	\$60
Shoes	10	\$20	10	\$25

Assume the above is the total production and prices for the goods in the Country of Bidenland

**Please explain what happened to real GDP and nominal GDP between 2020 and 2021?**

**2. Please answer yes or no whether the following activities are part of GDP.**

a. Mrs Miller picks flowers in her garden.

b. Fruits are sold on the market.

c. Patients, hurt in a car accident, are treated in a doctor's office.

d. A garage buys spare tires to sell them to customers next year.

e. Mrs. Goldman does the laundry for her family.

3. Why do we use money as a unit of account and not a bartering system?

4. What is the Consumer Price Index and how is it connected to the inflation rate?

5. Which people are not included when determining the unemployment rate? What is the difference between frictional unemployment, structural unemployment and cyclical unemployment?

6. What is the connection between the 4 factors of production and GDP?

7. What is the difference between the classical economic approach and the approach proposed by Keynes? Explain a criticism of each approach.

8. What is the difference between the required reserves and excess reserves that are in bank accounts? What do banks do with excess reserves? Why?

9. How does the Federal Reserve increase or decrease the money supply?

10. How is the money supply connected to inflation?

**Essay:**

As we all learned together  $GDP = C + I + G + X_n$ , where C is private consumption, I is investment, G is Government expenditure,  $X_n$  is exports.

Since the lockdown due to COVID-19 started all those variables included in the calculation of GDP have decreased (except perhaps for Government spending). Under these conditions GDP decreased as a result. Now that the lockdowns are over what would you advise to help boost economic recovery in these difficult times?



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