This Assignment deals with how a nation’s income is measured using Gross Domestic Product (GDP). In doing so, it highlights the various components of the GDP, the difference between nominal and real GDP, and the limitations of the GDP as a measure of national income.

1. U.S. real GDP is substantially higher today than it was 60 years ago. What does this tell us, and what does it not tell us, about the well-being of U.S. residents? What are the limitations of the GDP as a measure of economic well-being? Given the limitations, why is GDP usually regarded as the best single measure of a society’s economic well-being?
2. What is an intermediate good? How does an intermediate good differ from a final good? Explain why it is the case that the value of intermediate goods produced and sold during the year is not included directly as part of GDP, but the value of intermediate goods produced and not sold is included directly as part of GDP.
3. GDP is defined as the market value of all final goods and services produced within a country in a given period of time. In spite of this definition, some production is left out of GDP. Explain why some final goods and services are not included.
4. The table below contains data for country A for the year 2010.

| Country A’s Goods and Services | Total |
| --- | --- |
| Household purchases of durable goods | $1293 |
| Household purchases of nondurable goods | $1717 |
| Household purchases of services | $301 |
| Household purchases of new housing | $704 |
| Purchases of capital equipment | $310 |
| Inventory changes | $374 |
| Purchases of new structures | $611 |
| Depreciation | $117 |
| Salaries of government workers | $1422 |
| Government expenditures on public works | $553 |
| Transfer payments | $777 |
| Foreign purchases of domestically produced goods | $88 |
| Domestic purchases of foreign goods | $120 |

# Refer to the Table above to answer the following questions.

* 1. What was country A’s GDP in 2010?
	2. What was country A’s consumption in 2010?
	3. What was country A’s investment in 2010?
	4. What were country A’s government purchases in 2010?
	5. What were country A’s exports and imports in 2010? What was the net export in 2010?