

3. Which of the following items are included in GDP? For those items not included, explain why they are not included in GDP.
- a. Jane buys newly issued shares of stock in Macro.com, Inc.
 - b. Ross buys a new pair of jeans at a local department store.
 - c. Joey has his mustache trimmed at his hair salon.
 - d. Rachel buys an antique chest at a resale shop.
 - e. Monica makes her own pasta sauce in her apartment.
 - f. Cars produced by General Motors in Mexico

4. Consider the following data for a closed economy (that is, one without exports or imports):

Consumption Expenditures	500
Wages and Salaries	600
Government Expenditures	300
Personal Taxes	300
Profits	250
Interest	100
Rent	?
Investment Expenditures	375

Compute Gross Domestic Product according to both the expenditure and income approaches. Show your work.

5. Consider an economy that produces only rice. In 2000, the price of rice was \$5 per pound and 1500 pounds were produced, giving the economy a nominal GDP of \$7500. In 2001, the price of rice rose to \$8 per pound and nominal GDP was calculated at \$11,000. What was real GDP in 2001? Did real GDP rise or fall? Explain carefully.