

## Measuring Economic Performance

ECON 3133

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### Answers

1.

- a.  $GDP = C + I + G + X - IM$   
 $= 4378.2 + 882.0 + 1148.4 + 659.1 - 724.3$   
 $= 6343.4.$
- b.  $NDP = GDP - \text{depreciation} = 6343.4 - 669.1 = 5674.3.$
- c. First calculate  $NI$  via the expenditure method:  
 $NI = GDP + \text{net factor income from the rest of the world}$   
– depreciation  
– statistical discrepancy  
+ government subsidy  
– business transfer payments  
– sales and excise taxes  
 $= 6343.4 + 5.7 - 669.1 - 2.3 + 9.0 - 28.7 - 525.3 = 5132.7.$

Next calculate  $NI$  through adding up the incomes of different people:

$$NI = \text{compensation of employees} + \text{proprietors' income} + \text{rental income} + \text{corporate profits} + \text{net interest}$$
$$= 3780.4 + 441.6 + 24.1 + 485.8 + 399.5$$
$$= 5131.4.$$

2.

- a.  $\text{Budget deficit} = \text{private saving} + \text{rest of the world saving} - \text{investment}$   
 $= 1050 + 100 - 1100$   
 $= \$50 \text{ billion}$
- b.  $\text{Inventory investment (05)} = \text{Inventory stock (05)} + \text{Inventory stock (04)}$   
 $= 1050 - 1000$   
 $= \$50 \text{ billion}$
- c.  $GDP = GNP - \text{GNP produced by U.S. factors abroad}$   
 $= 7000 - 80$   
 $= \$6920 \text{ billion.}$

3. Inflation:

<i>Year</i>	<i>CPI</i>	<i>GDP Def.</i>
1979	11.3%	8.6%
1980	13.5	9.5
1981	10.3	10.0
1982	6.2	6.2

Higher weights for housing costs and oil prices led the CPI to show higher inflation rates.