

Is This Counted as Part of GDP?

Which of the following are *included* and which of the following are *excluded* in calculating GDP? **Explain your decisions.**

1. A farmer's purchase of a new tractor.
2. A plumber's purchase of a two-year-old used truck.
3. Converting a U.S. government bond into cash.
4. The services of a mechanic in fixing the radiator on his own car.
5. Cashing a Social Security check from the government to a retired store clerk.
6. An increase in business inventories (Nike making more shoes to be sold at a later date.)
7. You give your 12 year old neighbor \$5.00 for mowing your lawn.
8. The government purchases a new submarine.
9. You receive \$100,000 from selling your Nike stock.

For each of the following items, write one of the following in the space provided:

C if the term is counted as *consumption spending*.

I if the item is counted as *investment spending*.

G if the item is counted as *government spending*.

NX if the item is counted as *net exports*.

NC if the item is *not counted* in GDP.

- ___ 10. You spend \$7.00 to attend a movie.
- ___ 11. A family pays \$75,000 for a house built three years ago.
- ___ 12. You buy General Motors Corp. stock for \$1,000 in the stock market.
- ___ 13. The U.S. military spends 5 billion on 5 new helicopters
14. We count only the final retail price of a new good or service in GDP.
Why?
15. A purely financial transaction will not be counted in GDP. Why?
16. When a homeowner does home-improvement work, the value of the labor is not counted in GDP. Why?