

# الفيرست

Student Name: Marah Al

Instructors:

- Mr. Mohamad Amreyeh (Section 1)  
 Dr. Tareq Sadeq (Section 2)

Write your answer for Part I (the multiple choice questions) here.

1.	D
2.	A
3.	A
4.	B
5.	C
6.	D
7.	C
8.	D
9.	C
10.	D
11.	C
12.	C
13.	C
14.	<del>B</del> C
15.	A
16.	C
17.	C
18.	B
19.	B
20.	A
21.	D
22.	B
23.	B
24.	B
25.	C

*For Instructor's Use*

Question	Grade
Multiple -Choice	50
Question #1	15
Question #2	14
Question #3	20
Total	99

PART I: Multiple-Choice Questions

(50 Points - 2 each)

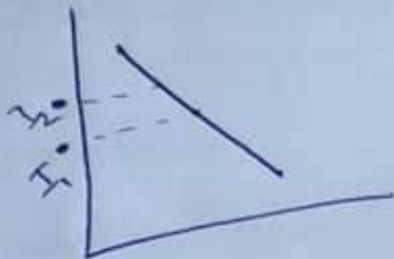
Circle the letter that corresponds to the best answer

1. A person is considered unemployed if that person
  - A. does not have a job
  - B. is not now working but has previously held a job
  - C. has part-time employment, but wants full-time employment
  - D. does not have a job but is actively searching for a job
2. Net domestic product (NDP) is
  - A. GDP minus depreciation
  - B. GDP plus depreciation
  - C. GNP minus depreciation
  - D. GDP minus net foreign factor income
3. When calculating GDP, exports are \_\_\_\_\_ and imports are \_\_\_\_\_.
  - A. added; subtracted (يُضَم، يُطْرَح)
  - B. added; added
  - C. subtracted; added
  - D. subtracted; subtracted
4. Assume that an economy has 1500 workers, each working 2000 hours per year. If the average real output per worker-hour is \$20, then total output or real GDP will be:
  - A. \$45 million
  - B. \$60 million
  - C. \$3 million
  - D. \$30 million
5. One cause of frictional unemployment is due to
  - A. decrease in skills and experience (نقص المهارات والخبرة)
  - B. a decline in the economy's total production
  - C. geographical mobility (التنقل الجغرافي) of the labor force
  - D. displacing workers from their jobs (تشريد العمال من وظائفهم)
6. Real GDP is nominal GDP adjusted for
  - A. double counting
  - B. population
  - C. imports
  - D. changes in prices
7. GDP counts only final goods and services because this
  - A. method avoids including any goods that are produced this year and sold next year
  - B. amount can be more easily determined in the marketplace
  - C. method avoids double counting of goods going through several stages of production
  - D. method avoids understating the value of GDP produced during a given year
8. Assume the economy's consumption and saving schedules simultaneously (في نفس الوقت) shift downward. This must be the result of:
  - A. the expectation of a recession
  - B. an increase in disposable income
  - C. an increase in household wealth
  - D. an increase in income taxes
9. Other things equal, an increase in the number of "discouraged workers" will
  - A. Destroy (يُدمر) jobs
  - B. raise the participation rate
  - C. decrease the size of the labor force
  - D. raise unemployment rate

10. Suppose a family's consumption exceeds (أكثر من) its disposable income. This means that its:
- A. dissaving
  - B. APC is greater than 1
  - C. APS is negative
  - D. all of the above
11. The total market value of all final goods and services produced within a given period by factors of production located within a country is
- A. net national product (NNP)
  - B. national income (NI)
  - C. gross domestic product (GDP)
  - D. gross national product (GNP)
12. Which of the following would NOT be counted in 2018's GDP?
- A. the commissions (عمولة) earned by a real estate agent in selling houses built prior to 2018
  - B. the value of a computer manufactured in 2018 but not sold in 2018 ✓
  - C. the value of a 2015 car you purchase from a car dealer in 2018
  - D. the 2018 salary of a used car salesperson
13. If no foreign companies produce in a country, but many of the country's companies produce abroad, then it is safe to say that
- A. the country's GNP and GDP are equal
  - B. the country's GDP equals its domestic income
  - C. the country's GNP exceeds (أكثر من) its GDP
  - D. the country's GDP exceeds its GNP
14. Anticipated inflation affects
- A. flexible income receivers
  - B. borrowers only
  - C. lenders only
  - D. all aspects of the economy
15. The investment demand curve will shift to the right as the result of
- A. businesses becoming more optimistic (متفائل) with respect to future business conditions
  - B. a decrease in the real interest rate
  - C. excess productive capacity
  - D. an increase in business taxes
16. If actual GDP is \$500 billion and there is a negative GDP gap of \$10 billion, potential GDP is:
- A. \$10 billion
  - B. \$990 billion
  - C. \$510 billion
  - D. \$490 billion
- Handwritten notes for Q16:*  
 Potential GDP = Actual GDP + Negative Gap  
 Potential = 500 + 10 = 510  
 (Note: The handwritten calculation shows 500 - 10 = 500, which is incorrect for a negative gap.)
17. Demand-pull inflation:
- A. can be present even during an economic depression
  - B. occurs only when the economy has reached its absolute production capacity
  - C. occurs when total spending in the economy is excessive
  - D. occurs when prices of resources rise, pushing up costs and the price level
18. Which of the following is counted as investment in national income accounting?
- A. buying an existing house
  - B. building a new factory
  - C. purchasing corporate stocks and bonds
  - D. \$ 1,000,000 spent by a government to building a bridge (بناء جسر)
- Handwritten notes for Q18:*  
 Stock  
 Inflation  
 Expansion
19. The trough (depression) of the business cycle
- A. comes right after the expansion phase
  - B. is a temporary minimum level of real GDP
  - C. comes before the recession phase
  - D. is a temporary (موقت) maximum level of real GDP



20. The natural rate of unemployment is:
- that rate of unemployment occurring when the economy is at its potential output
  - higher than the full-employment rate of unemployment
  - that rate of unemployment equal zero
  - that rate of unemployment occurring when the economy is at actual GDP
21. Which of the following is a measure of economic growth that is most useful for comparing living standards?
- growth in nominal GDP
  - decreases in the rate of unemployment
  - increases in real GDP
  - increases in real GDP per capita
22. Gross national product is the total market value of GNP =
- all final and intermediate goods and service produced by resources owned by a country in a given year
  - all final goods and services produced by resources owned by a country, regardless of where production takes place
  - all final and intermediate goods and services produced in a country, regardless (بغض النظر) of who owns the resource
  - all final goods and services produced in a country in a given year, regardless of who owns the resources
23. Which of the following would shift the consumption schedule upward?
- consumer expectations of falling prices of products
  - optimism (التفاؤل) about future incomes
  - a decrease in wealth
  - an increase in real interest rates
24. Supply factors in economic growth include the following, except:
- improvements in technology
  - increases in purchases of output
  - increase in the quality of natural resources
  - better education and training
25. the real interest rate increases:
- the investment demand curve will shift to the right
  - the investment demand curve will shift to the left
  - there will be a movement upward along the investment demand curve
  - there will be a movement downward along the investment demand curve



## Question #1

(50 Points)

(15 Points)

An economy produces three goods: diet coke, paper and oranges. Quantities and prices per unit for years 2017 and 2018 are as follows:

	2017		2018	
	Quantity	Price	Quantity	Price
Shoes	4,200	\$40	4,500	\$40
Paper	20,000	\$4	20,000	\$3.5
Oranges	5,500	\$7	6,000	\$7.5

Using price of year 2017 as a base year prices, calculate

1. Nominal GDP
- <sub>(2018)</sub>

$$NGDP_{(2018)} = \sum (4500 \cdot 40) + (20,000 \cdot 3.5) + (6000 \cdot 7.5)$$

$$NGDP_{(2018)} = 180,000 + 70,000 + 45,000 = 295,000$$

2. Real GDP
- <sub>(2018)</sub>

$$RGDP = \sum (4500 \cdot 40) + (20,000 \cdot 4) + (6000 \cdot 7)$$

$$RGDP_{2018} = 180,000 + 80,000 + 42,000 = 302,000$$

3. GDP Price index
- <sub>(2018)</sub>

$$GDP \text{ (Price index)}_{2018} = \frac{NGDP_{2018}}{RGDP_{2018}} \cdot 100 = \frac{295,000}{302,000} \cdot 100 = \boxed{97.6\%}$$

4. Inflation rate
- <sub>(2018)</sub>

$$\text{Inflation Rate}_{2018} = \frac{PI_{2018} - PI_{2017}}{PI_{2017}} \cdot 100 = \frac{97.6 - 100}{100} \cdot 100 = \boxed{-2.4}$$

there is a deflation rate by  $\boxed{2.4}$

5. Economic Growth rate in real GDP
- <sub>(2018)</sub>

$$\text{Economic growth} = \frac{RGDP_{2018} - RGDP_{2017}}{RGDP_{2017}} \cdot 100\% = \frac{302,000 - 286,500}{286,500} \cdot 100 = \boxed{5.4\%}$$

$$\begin{array}{r} \text{RGDP 2017} \\ - 180,000 + 80,000 + 38,500 \\ \hline 286,500 \end{array}$$

Question #2

(15 Points)

Which of the following are included and which are *excluded* (not counted) in calculating this year's GDP? If it included identify the category under which it would fall (Consumption (C), Investment (I), Government purchases (G), Net exports (X<sub>n</sub>))

1. \$ 200,000 spent by a government on a waste treatment plant (معدة معالجة النفايات) included Gov
2. Social Security (الضمان الاجتماعي) checks received by a retired person (شخص متقاعد) not included
3. Purchases of new shoes. included Cons
4. Donation (تبرع) from a person to local school. not included
5. Purchase of shares of a stock in Paltel (شراء أسهم في شركة الاتصالات) not included
6. The purchase of a new truck by a trucking company I investment included
7. The purchase of a used tractor by a farmer not included
8. New furniture (أثاث منزلي) produced in this year, but not sold by the end of the year. included I
9. Palestinian olive oil sales to Jordan. included X<sub>n</sub>
10. \$100,000 spent by a person on purchase of a new house. C consumption included I ريل

Firm A produces something that Firm B uses as an input. The product of Firm B, in turn, is purchased and used as an input by Firm C, and so on down the line through Firm E, which produces the end product.

Stage of Production	Sales Value of Materials or Product	Value Added
Firm A	\$1,600	1600
Firm B	\$2,500	2500 - 1600 = 900
Firm C	\$3,700	3700 - 2500 = 1200
Firm D	\$5,200	5200 - 3700 = 1500
Firm E	\$7,600	7600 - 5200 = 2400

total 7,600

1. Calculate the value added at each stage of production. (Complete the table)

2. Calculate the contribution of this industry (الصناعة) to domestic output (GDP)

it increase the GDP by 7600 (the value of the final good)  
Σ value added



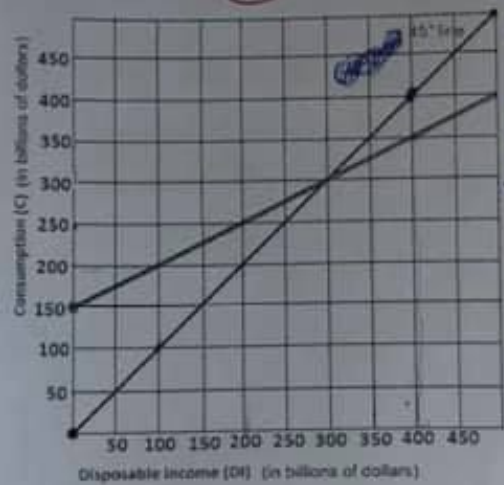
Question #3

(20 points)

I. Use the following diagram to answer questions below it.

1. What is the Break-even income? 300
2. What is the amount of Autonomous Consumption? 150
3. At the \$100 level of disposable income, what is the value of saving?

$$S = DI - C \Rightarrow S = 100 - 200 = \boxed{-100} \text{ dissaving}$$



4. At the \$400 level of disposable income, what are the APC, and APS?

$$ID = 400 \text{ and } C = 350 \quad APC = \frac{350}{400} = \boxed{0.875}$$

$$\text{So } APS = 1 - 0.875 = \boxed{0.125}$$

5. Calculate MPC and MPS?

$$\begin{matrix} \text{at } ID = 100, C = 200 \\ \text{at } ID = 200, C = 250 \end{matrix}$$

$$MPC = \frac{\Delta C}{\Delta DI} = \frac{250 - 200}{200 - 100} = \frac{50}{100} = \boxed{0.5}$$

$$MPC + MPS = 1$$

$$\frac{0.5}{-0.5} + MPS = \frac{1}{-0.5} \Rightarrow MPS = \boxed{0.5}$$

II. Suppose the natural rate of unemployment is 5% and the actual unemployment rate is 9%.

1. According to Okun's law, what is the size of the GDP gap?

$$\text{The size of GDP gap} = 9\% - 5\% = 4$$

$$\text{So the GDP gap} = 4 \cdot 2 = \boxed{8\%}$$

2. If potential GDP is \$840 billion, how much output is being lost as a result of the economy being below its potential?

$$\text{The lost potential GDP} = 8\% \cdot 840 = \boxed{67.2 \text{ billion}}$$

gap - Actual potential

$$\text{Potential } 840 - \text{gap} = \text{Actual } 67.2 = \boxed{772.8}$$