

Name:

QUIZZ 1: Econ 4, Section 2

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Please answer the following 14 questions for 50 points. Be as BRIEF as you can. You have 40 minutes.

1. (9 points) Assume an economy where there are two producers: a wood producer and a chair producer. In a given year, the chair producer makes 25 chairs, of which 5 are sold to the wood producer maker at \$100 each, 10 chairs are sold to Tibet and 5 are stored. The wood producer sells 1000 pounds of wood at \$4 each, 100 of which are sold to the chair producer. Compute GDP in this economy. Compute investment. Compute savings.
2. (2 points) Social security taxes are part of National Income. True or False?.
3. (3 points) How would NIPA record the earnings of former President Clinton speeches to the Spanish Chamber of Commerce.
4. (5 points) Compare the government's contribution to GDP measured on the production side with its contribution measured on the expenditure side and provide an example of something that belongs in one category and not in the other.

