

Fixed-weight procedure is the problem associated with real GDP as it is adjusted based on prices at some base year. Due to the constantly changing economic structures, base year should be updated regularly as well.

6. real GDP = nominal GDP, so GDP deflator = 100 in base year
7.
 - GDP doesn't address the inequality in the distribution of output among individuals in the society. Even the GDP per capita, which is the output per person, can be raised dramatically by few billionaires.
 - Informal economy, including the black market and illegal activities, is not taken into account because these incomes are unreported, although they may play a big part in the overall economy.
 - GDP doesn't reflect the leisure and social welfare of a country. Moreover, increasing GDP and output could associate with a reduction in leisure as well.
8.
 - 1) consumption of durable goods
 - 2) investment on residential
 - 3) not included, it doesn't enter the circular flow
 - 4) not included, they are second-hand goods and will cause double counting
 - 5) not included, car parts are intermediate goods
 - 6) government spending
 - 7) not included, transfer payment doesn't produce final goods and services
 - 8) net exports as imports
 - 9) net exports as exports

9.

Year	Nominal GDP	Real GDP	GDP Deflator
2012	18	18	100.0
2013	15	17	88.2
2014	18	13	138.5
2015	25	12	208.3

$$\text{inflation rate} = \frac{69.8}{138.5} \times 100 = \underline{50.4\%}$$

10. $\text{GNP} = \text{GDP} + \text{NFI} = 8000 + (250 - 300) = \$ \underline{7950 \text{ B}}$
 $\text{NNP} = \text{GNP} - \text{depreciation} = 7950 - 900 = \$ \underline{7050 \text{ B}}$
11.
 - 1) gross domestic investment = $784 + 168 = \$ \underline{952.0 \text{ B}}$
 - 2) $\text{GDP} = C + I + G + (X - M) = \$ \underline{3849.6 \text{ B}}$
 - 3) $\text{GNP} = 3849.6 + (35.2 - 68.6) = \$ \underline{3816.0 \text{ B}}$

$$4) \text{ NNP} = 3816 - 168 = \$ \underline{3648.0 \text{ B}}$$

$$5) \text{ NI} = 2055.5 + (593.6 - 44.8) = \$ \underline{2604.3 \text{ B}}$$

12. expenditure approach: $\text{GDP} = 9500 + 3000 + 3200 + (850 - 900) = \underline{15650}$

income approach: $\text{NI} = 2400 + 11500 = 13900 = \text{NNP}$

$$\text{GDP} = \text{GNP} = 13900 + 1750 = \underline{15650}$$