

Economics 100B, Fall 2005
 Sample Midterm Questions
 Chapter 2

1. In the following economy, the country only produces stereos and CDs. The prices and quantities are given for the years 1995-1997. Calculate the missing entries in the table (the cells with letter variables).

	1995	1996	1997
Quantity of Stereos	2	5	5
Quantity of CDs	3	5	8
Price of Stereos	5	10	15
Price of CDs	2	3	5
Nominal GDP	A	B	C
Real GDP in 1995 prices	D	E	F
Real GDP in 1996 prices	G	H	I
Real GDP in 1997 prices	J	K	L
Real GDP in chained prices, benchmarked to 1995	M	N	O

2. For a given year, the exchange rate between Germany and the United States was 2 deutschemark per dollar. German prices were ten percent lower than the United States. The United States GDP was 10 trillion dollars. The German GDP was 4 trillion deutschemark.
- A. Calculate the ratio of German GDP to the US if we do not account for price differences across the two countries and only account for the exchange rate.
 - B. Calculate the ratio of real GDP in German to the United States in common prices.
 - C. Explain which of the two measures is a better estimate.