Recitation 3

1. The expenditure approach
    a. Complete the following table using the expenditure approach!

	Country A	Country B	Country C	Country D	Country E
C	6000	4000	2000	7000	1000
I	1000	5000	8000	6000	1000
G	2000	7000	3000	5000	5000
X	5000	3000	5000	3000	5000
M	1000	1000	6000	6000	3000
Y (GDP)	13000	18000	12000	15000	9000

Y = C + I + G + (X-M)

NX=X-M

2. Nominal and real GDP
    a. Compute the rGDP and nGDP for each year! Use Year 3 as the base year!

	Year 1	Year 2	Year 3
P(A)	10	6	5
Q(A)	2	3	5
P(B)	2	4	4
Q(B)	1	1	3
nGDP	22	22	37
rGDP	14	19	37

nGDP = P(A)* Q(A) + P(B)* Q(B)
nGDP =5* Q(A) + 4* Q(B) as year 3 is base year