Answer on Question #37986 – Economics - Macroeconomics

You are given the data below for 2008 for the imaginary country of Amagre, whose currency is the G.

Consumption 350 billion G
Transfer payments 100 billion G
Investment 100 billion G
Government purchases 200 billion G
Exports 50 billion G
Imports 150 billion G
Bond purchases 200 billion G
Earnings on foreign investments 75 billion G
Foreign earnings on Amagre investment 25 billion G

Compute net foreign investment.
Compute net exports.
Compute GDP.
Compute GNP.

Solution

Net foreign investment=Bond purchases + Earnings on foreign investments=200+75=275 (billion G)

Net exports=Exports-Imports=50-150= -100 (billion)

GDP = C + I + E + G=350+100+50-150+200=550 (billion G)
GDP=Gross domestic product
C = Consumer Spending
I = Investment made by industry
E = Excess of Exports over Imports
G = Government Spending

GNP= GDP + Net factor income from abroad=550+75-25=600 (billion G)

Net factor income from abroad = income earned in foreign countries by the residents of a country – income earned by non-residents in that country