

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point on the assignment.

1) (10 points each) For each event determine if it is part of GDP. If it is, then explain what part and why you classified it there. If it is not part of GDP, then explain why not.

- A) I pay you to clean my apartment.
- B) You sell your used car to a friend.
- C) You buy a Toyota built in Japan.
- D) You buy a new issue of stock that you think will take off.

2) (15 points each) For each variable, explain whether you would use GDP, GNP, NNP, NI, or PI as the best measure of that. Note that it is often best to compare your chosen statistic to the next larger and next smaller statistic, if there is one.

- A) How much the firms gained.
- B) How well off the people are.

3) (15 points each) A leading indicator is a variable whose value changes before the business cycle changes. A coincidental indicator is one that changes with the cycle. A lagging indicator is one that changes after the business cycle. For each of the variables below, which type of indicator do you think it is? Explain your logic.

- A) Housing starts
- B) Unemployment