Wilf Csaplar Jr.   Economics 162   Homework #5   Due Friday 10/8

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (10 points each) For each event below, tell me how much GDP changed. If it did not change then tell me why it did not. If it changed, tell me how much and whether it is C, I, G, or X. Briefly explain your logic.
A) I pay you $200 to rake my leaves.
B) A foreign student pays $20,000 in tuition at Bethany College.
C) An unemployed person gets $300 in unemployment benefits.
D) You buy a used car for $1500 which cost the used car dealer $900.
E) You buy $500 worth of stock in Ford and pay a commission of $8.95.

2) (40 points) Suppose that consumers bought $700 worth of goods, firms built $300 worth of new buildings, the government paid $500 worth of salaries, we exported $80 worth of goods and imported $90. The firms got $20 worth of business subsidies, paid $50 worth of indirect taxes, paid $130 of corporate taxes, and had $15 of retained earnings. People got $25 of transfer payments from the government and paid $400 worth of income tax. Use this data to calculate GDP, NDP, NI, PI, and DPI. If you need any information not given, assume it is zero. Show all calculations and BRIEFLY explain what you did.

3) (10 points) Give two reasons why using real GDP per capita may not accurately reflect the incomes of the people in the country. Explain your logic.