

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up 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) (20 points) Suppose consumers bought \$500 worth of goods and services, firms built \$300 worth of factories and new machines, the government spent \$400, exporters exported \$100 worth of goods, importers imported \$120 worth of goods, the machines depreciated \$80, there were indirect business taxes of \$110 paid, the net income from abroad was \$10, corporate taxes were \$150, Social Security taxes were \$200, the government paid \$210 in Social Security benefits, and people paid \$350 of income tax. Is this information to calculate GDP, NDP, NI, PI, and DPI. Show all work and briefly explain what you did. If you need information that is not given, assume it is zero.

2) (10 points) Why do we use real GDP per capita to measure how well off we are?

3) (15 points) If you start saving for retirement upon graduation, you will only have to save about a half as much per year when compared to how much you would have to save per year if you waited 10 years. What are the two reasons for this? Explain your logic.

4) (15 points) What are the *value added* and the *expenditure* methods of calculating GDP? Why should they give you the same number?

5) (10 points) Suppose a credit card charges you 14% interest (which is low for a credit card). If you made no payments and had no late fees (I realize the former prevents the latter), then how long would it take for your balance to double? Show all work and explain your answer.

6) (15 points each) Answer each part in a separate paragraph. State what the term means and tell me how it helps the economy to grow faster?

A) Open economy.

B) Enforcement of intellectual property rights