Wilf Csaplar Jr.   Economics 162   Homework #5   **Due Friday 10/13**

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 10 points. 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) (30 points) Use the following data to calculate GDP, NDP, NI, PI, and DPI. If you are missing information you need, assume it is zero. State what you are adding and subtracting and show all work. Consumption is $5000. Firms build $1000 worth of factories. The government pays out $1200 in salaries. We import $200 worth of goods while exporting $150 worth of goods. Buildings lost $30 from wear and tear. Businesses pay $100 in corporate taxes and $180 in sales tax. The government pays out $300 in Social Security payments and collects $800 in personal income taxes.

2) (10 points each) For each of the following, tell me how much GDP changed. If it does not change, tell me why. If it does change, then tell me which part of GDP and why you chose that.
A) I pay you $50 to rake my leaves.
B) You buy a used car for $5000 which cost the used car dealer $3000.
C) You buy $500 worth of stock in ExxonMobil and pay $5 of commissions.
D) The government pays somebody on Welfare $100.
E) They follow through with the plans to repair Richardson. I do not know how much the plan is, but let's assume it is $2 million.

3) (20 points) Why should the expenditure method of calculating GDP give you the same result as the value added method? Explain your logic.