Wilf Csaplar Jr.   Economics 162   Homework #5   **Due Friday 10/12**

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) (25 points) Suppose that consumers bought $1000 worth of goods. Firms spent $500 building factories. The government spent $700 on goods and services and paid out $300 of Social Security. We imported $250 worth of goods and exported $240 worth of goods. Buildings had $40 worth of wear and tear. Corporations paid $200 of sales tax and $100 of direct business tax. Individuals paid $600 worth of income tax. Calculate GDP, NDP, NI, PI, and DPI. Type all of the equations you used. Show all calculations. If you need a number which is not provided, assume it is $0.

2) (15 points) Why don't we use the exchange rate to convert GDP from another currency to US$? Briefly explain how we do calculate it.

3) (10 points) Determine how much GDP changes. Which part of GDP changes? Explain your logic. If a number does not affect GDP, explain why it is irrelevant.
A) You buy a $800 computer made in China.
B) The government pays President Trump's $400,000 salary for being President.
C) You bought a used car for $4000 which cost the dealer $2300.
D) You buy $1000 worth of stock in Amazon.com because you think it will do extremely well. There is a $10 commission.
E) Bethany College replaced the roof of Richardson Hall. I do not know how much it cost. Assume they paid $100,000.

4) (10 points) Explain why the value added method of calculating GDP should give the same result as the income method.