

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 described, determine if it is part of the USA's GDP. If it is, then tell me which part and why you chose that part. If it is not, then tell me why it is not part of GDP.

A) An artist paints a painting that could be sold for thousands of dollars, but gives it away for free.

B) You buy shares in Microsoft because you expect it to do well.

C) Route 2 is widened.

D) You buy a German beer.

2) (20 points) We use real GDP as a measure of how well off a country is. What are two weaknesses with doing that?

3A) (20 points) Illustrate on the production function diagram, an increase in the amount of capital. Explain why the curve moved as drawn.

3B) (20 points) Illustrate the event in part A on the labor supply and demand diagram. Explain why the curve(s) moved as drawn.