

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.

We will be meeting during my office hours on Monday. Come by some time between 3:00 and 5:00 to discuss this homework assignment and the material you are reading.

This assignment covers up to page 33.

- 1) (15 points) Draw two Lorenz curves that have the same Gini Coefficient, but look different. Explain how the two curves have different shapes but the same Gini Coefficient.
- 2) (20 points) What is the drawback of using GDP as a measure of how well off a country is? Give at least two reasons.
- 3) (10 points) Suppose the inflation rates for the four quarters of 2002 were 10%, 20%, 5%, and 10% respectively. The numbers are all annual rates. Calculate the inflation rate for 2002. Show all work and give a one-sentence explanation of what you did.
- 4) (15 points) Would the growth rate of GDP be a graph that has many ups and downs, or is it a gentle rise over time? Explain why you chose that answer and why you did not choose the other answer.
- 5) (10 points each) For each variable, determine if it is a stock or flow and explain why.
 - A) Income
 - B) Wealth
- 6) (20 points) Suppose that you have the following data. Use it to calculate the CPI in the form of a Laspeyres price index. Briefly explain how you calculated it and show all work.

	Quantity 2001	Quantity 2002	Price 2001	Price 2002
Apples	100	120	\$0.50/apple	\$0.25/apple
Bananas	50	80	\$0.40/banana	\$0.60/banana
Compact discs	30	50	\$1.00/CD	\$2/CD