

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. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment.

1) (20 points) At the bottom of the page is a poem in Tamil. If I asked you to explain it, then you would have to translate it into English. Then you would have to figure out what it means. The same is true for mathematical equations. First, you must translate them into English, then you explain the economic reasons the equation holds. Explain why $S_{pvt} = Y + NFP - T + TR + INT - C$.

2) (10 points) I say that all of the macroeconomic schools of thought, including the ones we will not study this year, apply some of the time but none of them apply all the time. Explain why say this referring to the descriptions of the Keynesian and Classical Schools of thought in the book.

3) (10 points each) For each of the following events, determine how much GDP will change. If it does not change, tell me why it does not. If it does, then tell me how much and which part of GDP is changing. Explain your logic.

A) I pay you \$20 to clean my house.

B) I buy \$1000 worth of shares in a company that I expect to do extremely well in the future.

C) You pay \$5000 to a used car dealer for a car which he paid \$2800 for.

D) The government spends \$350,000,000 to help tsunami victims in South Asia.

4) (15 points) Why should the income approach to calculating GDP yield the same result as the method of summing the final goods and services?

5) (15 points) Use the table below to calculate the growth rate of real GDP using year 0 as the base year. Show all work.

	Q_0	Q_1	P_0	P_1
Bananas	100 lbs.	120 lbs.	\$0.60/lbs.	\$0.50/lbs.
Carrots	40 lbs.	30 lbs.	\$1.00/lbs.	\$1.33/lbs.

பாஷும் தெளி தேலும் பாதும்
 பருப்புமி அவ நாஸும் கலந்தூண்கு
 நான் தருவேன்
 கோஷும் செம்
 தூங்கு கரிழுகத்து தூமணியே !