

Do not put your name anywhere on the assignment. Other than on the back of this sheet of paper. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. 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.

1) (15 points) Explain  $r = \frac{i - \pi^e}{1 + \pi^e}$ .

2) (10 points) Which part of my web page, <http://mysite.bethanywv.edu/wcsaplar/> do you think will be most helpful? Why? Is anything missing that you would like to see? What is the URL for the first exam from this class last year?

3) (5 points) Which part of the Department of Economics and Business's web page, <http://www.bethanywv.edu/economics/> do you think will be most helpful? Why? Is anything missing that you would like to see?

4) (20 points) Use the table below to calculate the real GDP and nominal GDP in both years, using 2005 as the base year. Use that data to calculate the GDP deflator for 2006. Show all work and briefly explain what you did.

	$P_{2005}$	$Q_{2005}$	$P_{2006}$	$Q_{2006}$
Octopus	\$2/can	100 cans	\$2.50/can	80 cans
Bananas	\$0.50/lb	300 lbs	\$0.45/lb	400 lbs

5) (10 points each) For each event below, determine if it is part of GDP. If it is, then state which part and why you chose that part. If not, explain why it is not.

- A) You buy a used car from a dealer for \$8000. The dealer had bought it for \$5000.
- B) You buy \$20,000 worth of stock in Microsoft because you expect the company to do well.
- C) You bake cookies and sell them to friends for \$100.
- D) The government pays \$10bn in welfare payments.
- E) You buy a new \$30,000 from Japan.