Wilf Csaplar Jr.   Economics 302   Homework #2   Due 02/22

Place your name on the back of this sheet of paper and nowhere else. 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. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (20 points) Use the following data to calculate GDP, GNP, NNP, NI, PI, and DPI. Consumers buy $1000 worth of goods.   Firms buy $500 worth of machines. The government buys $600 worth of services. We import $200 worth of goods and export $150 worth. We paid foreigners $10 worth of interest and received $12. Capital lost $40 worth of value. Firms paid $30 worth of business taxes and retained $25 of earnings. Consumers paid $120 worth of income tax. Show all work. If you need data which is not provided, assume it is zero.

2) (10 points) Explain $\dfrac{\Delta Y}{Y} = 3 - 2\Delta u$ treating the left-hand side as one variable.

3) (30 points each) Illustrate the following events on both the NS/ND diagram and the production function with labor on the horizontal axis. Explain why the curve(s) moved as drawn. What happens to the wage rate, amount of labor hired, and the production of goods and services?
A) There is more capital.
B) The stock market drops greatly.

4) (10 points) Suppose you worked at Circuit City. They are closing all of their stores. Which category of unemployment would you be in a few months? Explain your logic.