

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) (10 points each) For each event, determine how much GDP changes if any. If it does not change, then tell me why it doesn't. If it does change, then tell me which part of GDP (C, I, G, or X) and why that part of GDP.

A) A foreign student pays her tuition of \$7000 at Bethany College.

B) Bethany College spends \$500,000 renovating Cochran Hall. (I am sure it is more than that.)

C) You buy a \$5600 used car from a dealer who makes \$3000 profit on it.

D) I pay you \$60 to shovel my driveway.

E) The government pays out \$5000 in unemployment benefits.

F) You buy \$500 worth of Ford stock and pay \$10 in commissions.

2) (25 points) Use this data to calculate GDP, NDP, 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 \$150 worth of goods and export \$200 worth. Capital lost \$40 worth of value. We paid foreigners \$12 worth of interest and received \$10. Firms paid \$30 worth of indirect 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.

3) (15 points) If you start saving for retirement at age 21, you have to save a lot less than if you start at age 31. Give two reasons for this.