Wilf Csaplar Jr.   Economics 162   Homework #5   **Due Friday 3/6**
If you are leaving for break early and are going to miss class. Turn the assignment in before you leave.
Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up 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) (15 points) There have been times during the past few years which had the unemployment rate go up, and economists said that was a good sign even though the unemployment rate was too high to begin with. What could have happened? Explain your logic as to why that event would cause the unemployment rate to increase but be good.

2) (20 points) Suppose the CPI at the beginning of the year was 600 and at the end of the year was 660. How much was the inflation? Show all work. If at the beginning of the year, people had expected 15% inflation, then who is hurt and who is helped by the inflation? Mention two groups of people hurt and two helped and explain how they are helped or hurt.

3) (35 points) Use the following statements to calculate GDP, NDP, NI, PI, and DPI. Show all calculations including writing a sentence for each part stating what is added and subtracted. If some data you need is missing, then assume it is zero. Consumers buy $3000 worth of goods. Firms build $500 worth of factories. The government pays $2000 worth of salaries. We export $50 worth of goods and import $60 worth of goods. The machines lost $40 worth of value from wearing down. The government gave firms $100 in subsidies and the firms paid $200 worth of sales tax. The corporations paid $800 in corporate taxes and retained $20 worth of profits. The government paid $600 in Social Security. Individuals paid $2300 in income tax.

4) (15 points) Developing countries complain that GDP calculations systematically undervalue the production of the country. Explain three reasons why this is true.

5) (15 points) When calculating GDP, we ignore leisure. How could that mean that GDP is not a good measure of how well off a country is?