Wilf Csaplar Jr.   Economics 162   Homework #6   **Due Thursday 3/23**

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 10 points. 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) Suppose that at the beginning of the year, the CPI was 700 and people expected 4% inflation. At the end of the year, the CPI was 707. What was the inflation rate? Show all work. Name two groups of people who are hurt by the actual inflation. Explain why they are hurt.

2) (10 points) Why can't we say, "When prices go up, people are hurt because they cannot afford to buy as much as before."?

3) (30 points) Suppose that consumers bought $900 of goods. Firms built $200 worth of factories. The government spent $300 on salaries. We imported $30 worth of goods and exported $28 worth of goods. Buildings lost $100 due to wear and tear. Firms paid $48 of sales tax and $110 of profit taxes. The government paid out $90 of Social Security payments. We paid $220 worth of income taxes. Use this data to calculate GDP, NDP, NI, PI, and DPI. State what you are adding and subtracting, then plug in numbers and show all work. If you need numbers which are not given, assume they are zero.

4) (10 points each) For each of the following, determine how much GDP changes. Which part of GDP is affected? Briefly explain your logic. If you do not use a number, tell me why not.
A) The government is supposedly going to build a bridge from just south of Wellsburg over to Ohio. It is supposed to be $131 million. Assume it is built for that amount.
B) I pay you $50 to mow my lawn.
C) You buy a $4000 used car which cost the dealership $2500.
D) You buy a $20 shirt made in China.