Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point on the assignment.

1) (10 points each) For each event below, determine if it is part of GDP. If it is part of GDP, then explain which part of GDP (C, I, G, or X - M) it is in, and why it is in that part of GDP. If it is not part of GDP, then explain why it is not.
A) You buy a 1999 Ford Taurus from a used car dealer.
B) You hire a friend to repair the car.
C) You buy shares in Microsoft.
D) The government expands Route 2.

2) (20 points) There are many problems with using real GDP per capita measure how well off the country is. Explain at least three problems.

3) (20 points) The book lists 3 deductions from NI that must be subtracted, and 5 additions to NI that must be added to get PI. In general, why are those items added or subtracted as a group? (It is helpful to explain what NI and PI measure.)

4) Below is a poem in Tamil. If I asked you to explain it, then you would have to translate it into English. Then you would have to figure out what it means. The same is true for mathematical equations. First, you must translate them into English, then you explain the economic reasons the equation holds.
(20 points) Explain why $N_d = f(w/p)$.

பாலும் தெளி தேனும் பாகும்
பருப்புமிவை நாறும் கலந்துவைத்து
நான் தருவேன்
கோலவும் செம்
தூங்கட கழுகத்து தாமணியே !