

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) This is a rare question where I will read what is written on this sheet. Mark on this graph where the recession starts and where it ends. Then on the answer sheet, briefly explain how you got those points.

2) (10 points) Would the unemployment rate be a leading indicator? Why or why not?

3) (15 points each) For each event, determine if it is part of GDP. If it is, then state whether it is C, I, G, or X and state how you made that choice. If it is not, then explain why it is not.

A) You buy a new issue of stock that you think will take off.

B) You buy a Toyota built in Japan.

4) (20 points) Economists feel that even though GDP is the best measure of production in the economy, it will not be a good measure for developing countries. What problems does it have that would make it a poor measure for developing countries?

5) (15 points) Is GDP, NNP, NI, PI, or DPI the best measure of how well off the country as a whole is? On questions like this, you should compare your choice to the options on either side of it on the list, if there is one. The reason is that you cannot say Y is better than X unless you compare them.

6) (15 points) Why should the income approach to calculating GDP give the same answer as the expenditure approach?

