

Name & SID: _____

Date: _____

1. Define gross domestic product as an equation.

2. What is the difference between real income (Y) and aggregate expenditures (AE)? Define each term with an equation.

3. Check off the people who are considered unemployed.
 - William is a full-time college student.
 - Joe graduated from Stanford 3 years ago and he cannot find a job. He spends his days watching Yu-Gi-Oh cartoons at home and chilling with friends and family.
 - Melissa wakes up 6 AM everyday to cook breakfast for her family, afterwards she drives her kids to school, tidy the house, pick-up the kids from school, and cooks dinner. She does not have a job that pays a salary nor wages, but her rich husband gives her \$10,000 everyday that she can use as she wishes.
 - Brendan quits his job last week because he received a higher paying job that starts next week.
 - Matt gets fired last week for cooking the books, and has been interviewing for a new job ever since he got laid off. He hasn't had much luck.

4. Categorize the following expenditures as (C)onsumption, (I)ntervestment, (G)overnment purchases, (EX)ports, or (IM)ports. Write (NR) if the transaction is not recorded. All the transactions are done within U.S. borders:
 - William buys a new Ford
 - William buys a used Ford
 - Tamara buys a pink "Made-in-Taiwan" sweatshirt from Macy's
 - Brendan sells his used "Dido" CD to William
 - William buys an used "New Kids on the Block" CD from Rasputin Music
 - Brendan pays his annual tuition to UC Berkeley
 - Katy pays her annual tuition to Stanford Law School
 - Congress raises welfare benefits to the poor and needy
 - Congress funds Iraq's post-war reconstruction by \$87 billion
 - State of California buys 10 tons of wood for construction
 - Philip Morris buys 50 tons of paper
 - Philip Morris raises the salaries of its employees
 - Philip Morris hires more employees
 - Philip Morris spend \$100 million on "anti-smoking" ads
 - Philip Morris buys 200,000 new computers from Dell
 - Chinese tourist buys a Hershey's chocolate bar from Safeway

