

Macroeconomics 2014
College of International Studies
Problem Set # 2

Due: May 9th(Fri) at the beginning of the class
(Note: On May 9th(Fri), we have Tuesday's schedule)

Answer the following questions. When you turn in your home work, you are asked to make the photocopy of your answer and keep the photocopy with you in the class. And submit the original of your answer to me so that we can discuss the answer of your homework in class after you submit.

Also keep your photocopy of your answer since the return of the homework can be late.

1. Tom produced 1kg of wheat and sold to Jim by 1 man yen. Jim made one piece of bread from the bought wheat and sold the bread to Seibu by 2 man yen. Seibu sold this bread to a consumer by 3 man yen. Calculate the GDP from those economic transactions.

2. Suppose that a woman marries her butler. After they are married, her husband continues to wait on her as before, and she continues to support his as before (but as a husband rather than as an employees.) How does the marriage affect GDP. Also, how SHOULD the marriage affect the GDP?

(Please note that difference of "should" and " does" in the above question.)

3. Place each of the following transaction in one of the five components of national expenditure: consumption, investment, government purchase, net export and a change of inventory.

- (a) Mitsubishi sells an airplane to self defense force.
- (b) Mitsubishi sells an airplane to Japan Air Line.
- (c) Mitsubishi sells an airplane to Air China.
- (d) Mitsubishi sells an airplane to Hisahiro Naito.
- (e) Mitsubishi builds an airplane to be sold next year.

The following two questions are the group discussion question. Please discuss the answer of the following questions.

4. Among the following four statements about investment, which activity is not considered as investment when the GDP is calculated? The four statements are (i)Smith buys for himself a 100 year old Victorian house.(ii)Jones builds for herself a brand-new contemporary house.(iii)Bill Gates buy 5 million dollars in IBM stock from Mr. Buffett on the New York Stock Exchange. (iv) General motors sells 10 million dollars in stock to the public and uses the proceeds to build a new car factory.

5. Consider a small village. In this village, there is one factory and all people in this village work in this factory. A machine is produced in this factory and only labor is needed to produce the machine in this factory. In 2003, this factory employed all people in this village and produced a machine. However, this factory could not sell this machine. So this factory kept this machine. The factory paid one million yen in total as salary to employee (village people.) For the money to pay for the salary, assume that this factory has some cash initially. Because, the factory could not sell this machine in 2003, the factory fired all worker (village people) at the beginning of 2004. Thus, all village people become unemployed in 2004. But the factory could sell the machine in 2004 that it produced in 2003 by one million yen to other village. Calculate the GDP of this village in 2003. Also, calculate the GDP of this village in 2004.