

HOMEWORK FIVE – due Tuesday November 16th

Name: _____

If you work with others please hand in your assignment in your own words and identify those you worked with.
Make sure this assignment is handed in at the beginning of class.

1. Consider an economy characterized by the following data:

Good	Price in 1992 (Base Year)	Quantity Purchased in 1992	Price in 2000	Quantity Purchased in 2000
A	\$12	100	\$13	90
B	\$12	400	\$13	420
C	\$ 7	300	\$ 8	300
D	\$10	600	\$11	650

a). Assuming that goods A-D are all final goods, complete the following table.

	Year 1992	Year 2000
Nominal GDP	_____	_____
Real GDP	_____	_____

b) What is the GDP deflator?

c) What is the total inflation rate from 1992 to 2000?

d) What is the average annual rate of inflation from 1992 to 2000?

2. According to the US Census Bureau, nominal income for the typical family of four in the United States (median income) was \$24,332 in 1980, \$32,777 in 1985, \$41,451 in 1990, and \$53,350 in 1997. The CPI was 82.4 in 1980, 107.6 in 1985, 130.7 in 1990, and 160.5 in 1997.

a) In purchasing power terms, how did family income compare in each of those 4 years?

b) When was (approximately) the base year?

c) Do you think this number is correct – taking into consideration what you know about how the CPI (or GDP deflator for that matter) measures price levels?

3. From your textbook, Chapter 12 review questions # 8 (pages 392 and 393)

4. From your textbook, Chapter 12 problems and exercises # 1 (page 393)

5. From your textbook, Chapter 12 problems and exercises # 3 (page 393)

6. From your textbook, Chapter 13 review questions # 10 (page 418)

7. From your textbook, Chapter 13 problems and exercises # 10 (page 419)

8. From your textbook, Chapter 13 problems and exercises # 12 (page 419)