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Macroeconomics

Problem Set 2

September 27, 2016

15 points

Show all of your work.

2015 is the base year.

In 2015, you spent $35 on jeans by buying 3 pairs and bought T-shirts that cost $16 at each of the 7 concerts that you “attended”. Food cost you $80 per week and because you only lived at home for six weeks during the year you had to buy food for 46 weeks. Finally, each of the 13 pizza “dinners” you were part of cost $8.

In 2016, you spent $36 on jeans and bought 4 pairs, you bought 8 concert T-shirts at $15 each. Food cost you $85 per week but you lived at home for seventeen weeks during the year (so “had” to buy for 35 weeks). Finally, each of the 13 pizza “dinners” you were part of this year cost $10.

a. Calculate the CPI for 2016. (4 pts)

b. Calculate the inflation rate for 2016 (use 10ths of percent). (3 pts)

c. Calculate the implicit price (GDP) deflator for 2016. (4 pts.)

d. What is the adjusted-for-inflation product level for 2016? (i.e. Real GDP) (2 pts.)

e. What is nominal GDP (aggregate output) for 2016? (2 pts.)