Chapter 2:

1. *Problems and Applications* numbers 2 and 7 (p. 44–45). Please add the following part to problem number 7:

   7c. Suppose that the price of a hamburger in the year 2015 was $6 rather than $4. What is the answer to part b in this case? Can you come up with your answer without calculating the Paasche and Laspeyres indexes (GDP Deflator and CPI) directly?

2. In June 1970, the national minimum wage in the US was $1.60 per hour and the value of the CPI was 0.388 (1983=1.0). The value of the CPI is currently $2.480. What would the minimum wage have to be currently to have the same purchasing power as it had in 1970? Labor productivity has grown about 2% per year on average (at the aggregate level) over this period. Provide an estimate of what the minimum wage would have to be currently to have kept up with both inflation and productivity growth since 1970?

3. The Commerce Department calculates and publishes a chain weighted PCE (personal consumption expenditure) price index. The most recent published value is for November 2017. Please go online and find the inflation rate (from the previous year) in November 2017 according to this price index. Is this inflation rate above or below the Fed’s target of 2% inflation? Why do you think that the Fed uses this PCE price index, rather than the traditional CPI, to guide its policy?

Chapter 3:

4. *Problems and Applications* numbers 8,9,10,11,13 (p. 78–80).

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1 December 2017.