Chapter 2:

1. *Problems and Applications* numbers 2, 6, 9 (p. 42–44). Please add the following part to problem number 6:

   6d. Suppose that the price of a loaf of bread in the year 2010 was $12 rather than $20. 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 1970, the national minimum wage in the US was $1.60 per hour and the value of the CPI was 38.8 (1983=100). The value of the CPI is currently $238.0. 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. What would the minimum wage have to be currently to have kept up with both inflation and productivity growth since 1970?

3. Please go to the Bureau of Labor Statistics (BLS) web site (www.bls.gov) and look at the latest news release for the CPI (the July 2014 release was issued on August 19). What is the inflation rate for the past year (July 2013 – July 2014) according to the CPI (see e.g., Table A)? What is the core inflation rate (the inflation rate for all goods excluding food and energy)?

Chapter 3:

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

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1 July 2014.