Chapter 2:

1. *Problems and Applications* numbers 2 and 7 (p. 42-43) For #7 please replace Mankiw’s questions a. and b. with:

   7a. Using 2010 as a base year, compute the following statistics for each year: nominal GDP, real GDP, the implicit price deflator for GDP.

   7b. By what percentage did prices rise between 2010 and 2018? Give the answer for each good and also for the overall price level according to the GDP deflator.

   7c. Suppose that the price of a hamburger in the year 2018 was $6 rather than $4. What is the answer to part b in this case? Can you come up with your answer for the GDP Deflator directly without calculating the Paasche index value?

   7d. Ignore 7c. Does your answer to 7b change if we change the base year to 2018?

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 12.585. What would the minimum wage have to be currently to have the same purchasing power as it had in 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 2019. They also publish a “core” PCE price index which excludes food and energy prices. Has inflation been generally above or below the Fed’s target of 2% inflation recently, according to these measures? Why do you think that the Fed uses these PCE price indexes, rather than the traditional CPI, to guide its policy?

Chapter 3:

4. *Problems and Applications* numbers 8,9,10,11,13 (p. 77–78).

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1 December 2019.