

Name: _____

Score/Rating: _____

PROBLEM SET #2

MACROECONOMICS

Hand in this problem set on **January 8, 2012 at 7:00 a.m. All solutions must be shown here.**

1. Suppose country Masagana produces three products only, laptops, tablets, and iPhones. (5 points)

Products	2005		2010	
	Number of units	Price per unit	Number of units	Price per unit
Laptops	500,000	P 30,000	1,000,000	P 40,000
Tablets	200,000	P 20,000	400,000	P 30,000
iPhones	300,000	P 15,000	600,000	P 25,000

- (a) nominal GDP in 2005
- (b) nominal GDP in 2010
- (c) real GDP in 2005 (base year=2005)
- (d) real GDP in 2010 (base year=2005)
- (e) What is the inflation rate in 2010 as measured by the GDP deflator based on the table above?

2. Consider an economy which is characterized by this table:

Year	Cars		Computers	
	Quantity	Price per unit	Number of units	Price per unit
2010	10	P 12,000	40	P 1,000
2011	12	P 13,000	60	P 500
2012	10	P 14,000	80	P 500

- (a) Calculate nominal and real GDP for this economy (all years). (Use 2010 as the base year.) Interpret the change in nominal GDP and in real GDP over time. What is driving the change in nominal GDP, prices or quantities? 5 points
- (b) Calculate the inflation rate between 2010 and 2011 and between 2011 and 2012 using the GDP deflator. (Use 2010 as the base year.) 5 points

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