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| **GOOD** | **QTY. CONSUMED** | **2008 PRICES** | **2009 PRICES** | **2010 PRICES** |
| **X** | 100 | $1.00 | $1.50 | $1.75 |
| **Y** | 150 | 1.50 | 2.00 | 2.00 |
| **Z** | 25 | 3.00 | 3.25 | 3.00 |

HW #5 Chapter 21

1. The consumer price index (CPI) is a fixed-weighted index. It compares the price of a fixed bundle of goods in one year with the price of the same bundle of goods in some base year. Calculate the price of a bundle containing 100 units of good X, 150 units of good Y, and 25 units of good Z in 2008, 2009, and in 2010. Convert the results into an index by dividing each bundle price figure by the bundle price in 2008. Calculate the percentage change in your index between 2008 and 2009 and again between 2009 and 2010. Was there inflation between 2009 and 2010?

2. Suppose the number of employed people in an economy is 121,166,640. The unemployment rate in this economy 10.4 percent, or .104, and the labor force participation rate is 72.5 percent, or .725.

1. What is the size of the labor force?
2. How many people are unemployed?
3. What is the size of the working-age population?

3. The consumer price index is 125 in year 1 and 160 in year 2. All inflation is anticipated. If the Commerce Bank of Beverly Hills charges an interest rate of 35 percent in year 2, what is the bank’s real interest rate?