1. The size of the labor force in a community is 1,000, and 850 of these folks are gainfully employed. In this community, 50 people over the age of 16 do not have a job, and are not looking for work. In addition, 80 people in the community are under the age of 16. The unemployment rate is:

2. Suppose **nominal GDP** in 2005 was $12 trillion and in 2006 it was $14 trillion.  The general price index in 2005 was 100 and in 2006 it was 104.  Between 2005 and 2006 **real GDP** rose by what percent?

3. The consumer price index was 190.7 in January of 2005, and it was 198.3 in January of 2006.  Therefore, the rate of inflation in 2005 was about:

4 Part a. As the U.S. dollar appreciates in value relative to the Japanese Yen, what happens to the price of U.S. goods in Japan?  What happens to the price of Japanese goods in the U.S.?

Part b. Why would a country (for example China) choose to keep their currency relatively pegged to the U.S. dollar?  If the U.S. dollar were to appreciate considerably against most currencies, what would be the effect on Chinese exports to countries other than the U.S.?

5. Suppose the Indian rupee price of one British pound is 54.392 rupees for each pound.  A hotel room in London costs 120 pounds, while a similar hotel room in New Delhi costs 6,500 Indian rupees.  In which city is the hotel room cheaper, and by how much?

**6.**  Answer the next question on the basis of the following production possibilities data for Landia and Scandia:

Landia production possibilities:

                        **A            B            C            D            E**

Fish                  8            6             4             2             0

Chips               0            4              8           12           16

Scandia production possibilities:

                        **A            B            C            D            E**

Fish                48            36          24           12             0

Chips               0            12           24           36           48

Refer to the above data.  What would be feasible terms of trade between Landia and Scandia?

7. The Republic of Republic produces two goods/services, fish (F) and chips (C). In 2006, the 200 units of F produced sold for $3 per unit and the 500 units of C produced sold for $1 per unit. In 2007, the 300 units of F produced sold for $4 per unit, and the 600 units of C produced sold for $2 per unit. Calculate Real GDP for 2007, assuming that 2006 is the base year.

8. Country A produces two goods, elephants and saddles.  In the year 2006, the 30 units of elephants produced sold for $3,000 per unit and the 50 units of saddles produced sold for $300 per unit. In 2007, the 40 units of elephants produced sold for $4,000 per unit, and the 60 units of saddles produced sold for $250 per unit. Real GDP for 2007, assuming that 2006 is the base year is:

9. A Honda Accord sells for $24,000 in the United States and for SF29,500 in Switzerland.  Given an exchange rate of SF1.25 = $1, how do the car prices of both countries compare