Macroeconomics ec 211

Macroeconomics Assignment EC 211 QUESTION ONE - PERCENTAGE

GROWTH IN NORMINAL AND REAL GDP for the years 1991 – 1997 YEAR Real

GDP (in billions of Dollars per Year)

Nominal GDP (in billions of Dollars per Year)

% Growth in Real GDP

% Growth in Nominal GDP

U. S. Population (in Millions)

Real GDP per Capita

1990

6, 136. 3

5, 743. 8

----

249. 9

24, 555. 02

1991

6, 079. 4

5, 916. 7

-0. 9%

3%

252. 6

24, 067. 3

1992

6, 244. 4

6, 244. 4

2. 7%

5. 5%

255. 4

24, 449. 49

1993

6, 389. 6

6, 558. 1

2. 3%

5%

258. 1

24, 756. 3

1994

6, 610. 7

6, 947. 0

3. 5%

5. 9%

260. 6

25, 367. 2

1995

6, 742. 1

7, 255. 4

1. 9%

4. 4%

263. 0

25, 635. 36

1996

6, 928. 4

7, 636. 0

2. 8%

5. 2%

265. 5

26, 095. 66

1997

7, 191. 4

8, 083. 4

3. 8%

5. 9%

267. 9

26, 843. 59

Real GDP per Capita is the Total GDP dividend by the whole population of the country.

GRAPH

THE GRAPH OF THE % Growth in Real GDP AND % Growth in Nominal GDP FOR THE YEARS 1991 - 1997

QUESTION TWO

Figure 1THE RELATION BETWEEN THE UNEMPLOYMENT RATE AND THE % CHANGE IN THE REAL GDP FOR THE YEARS 1981 -1995

QUESTION 3

1. What was the inflation rate as measured by GDP deflator in 2002 and 2003

The inflation rate = (current Year’s GDP Deflator – Previous Year’s GDP Deflator)/ Previous Year’s GDP Deflator x 100

2002 - (103. 9 – 102. 4) / 103. 9 X 100 = 1. 44%

2003 - (105. 7 – 103. 9) / 105. 7 X 100 = 1. 70%

2. Description of the inflation rate based on GDP deflator

The GDP deflator is the price index that is used to measure the market basket that is made up of a group of goods that make up the GDP. Inflation rate as measured by the GDP deflator shows the rate of price change in the whole economy combined (FIU, nd).

3. Description of the inflation rate based on CPI

CPI which is the Consumer Price Index is used to indicate the changes that takes place in the retail prices of the selected commodities and services which a common group of people uses or purchases. Thus the index is used to reflect changes in the final prices of the key commodities and services that are consumed by a substantial number of peoples in a selected market or community. Inflation rate is the rate of the changes of the prices of the consumer goods (FIU, nd). The calculation of the inflation based on the CPI is where the inflation rate is tabulated based on the changes in the prices of the key commodities or the commodities that are used or purchased by the majority of the population.

References

Florida International University, FIU, Practice Problems for Calculation of Real GDP, Real Income, CPI and GDP Deflator, nd. Web. 6 March. 2013.