HW2: Due on Sep. 12th before class.

1. (6 of G. Mankiw, Macroeconomics, 5th edition)

Consider an economy that produces and consumes bread and automobiles. In the following table are data for two different years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Price of an automobile</th>
<th>Price of a loaf of bread</th>
<th>Number of automobiles produced</th>
<th>Number of loaves of bread produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$50,000</td>
<td>$10</td>
<td>100</td>
<td>500,000</td>
</tr>
<tr>
<td>2010</td>
<td>$60,000</td>
<td>$20</td>
<td>120</td>
<td>400,000</td>
</tr>
</tbody>
</table>

Using the year 2000 as the base year, compute the following statistics for each year: nominal GDP, real GDP, the GDP deflator, and CPI.

2. (8 of G. Mankiw, Macroeconomics, 5th edition)

Consider how each of the following events is likely to affect real GDP. Do you think the change in real GDP reflects a similar change in economic well-being?

a. A hurricane in Florida forces Disney World to shut down for a month.
b. The discovery of a new, easy-to-grow strain of wheat increases farm harvests.
c. Increased hostility between unions and management sparks a rash of strikes.
d. Firms throughout the economy experience falling demand, causing them to lay off workers.
e. Congress passes new environmental laws that prohibit firms from using production methods that emit large quantities of pollution.
f. More high-school students drop out of school to take jobs mowing lawns.
g. Fathers around the country reduce their work-weeks to spend more time with their children.