

1) Look at these numbers.

<u>Category</u>	<u>Number of people (millions)</u>
People employed	5
People working in their own businesses	3
Full-time students	1
Retired people	2
People not employed, working, students or retired, actively looking for work	2
not actively looking for work	1

What is the size of the "labor force," in millions? \_\_\_\_\_

What is the unemployment rate, in percent? \_\_\_\_\_

2) There are four industries in the country of Kafiristan: stick-gathering, tomato-growing, basket-weaving and cutlery (knife-making). Tomatos and baskets are sold to households. Knives, which last a long time, are not sold to households; they are sold to tomato-farmers, basket-weavers and stick-gatherers, who all use knives in their businesses. Sticks, which are woven together to make baskets, are sold only to basket-weavers. Kafiris own land in the neighboring country of Kalashistan. Kalashis own all of the basket-weaving firms in Kafiristan.

a) Fill out the missing items in the following table.

	Total revenue	Cost of labor	Cost of knives	Cost of sticks	Value-added
Tomato farms	14	7	1	0	_____
Stick-gathering	6	5	1	0	_____
Basket-weaving	12	3	1	6	_____
Cutlery	3	3	0	0	_____

Profit of basketweaving firms: 2

Rent on land owned by Karifis in Kalashistan: 1

GDP of Kafiristan: \_\_\_\_\_

GNP of Kafiristan: \_\_\_\_\_

b) 5 pts. Which items' prices would be included in a CPI for Kafiristan?

List the items: \_\_\_\_\_

c) 5 pts. Which items' prices would be included in a GDP price index for Kafiristan?

List the items: \_\_\_\_\_

3) Fill out the missing numbers in the table below. You will need to use a calculator or Excel.

<u>Year</u>	<u>Percent change in real GDP from previous year</u>	<u>Nominal GDP</u>	<u>Real GDP quantity index, base year 1915 equals 100</u>	<u>Chained (1915) dollar real GDP index</u>
1914	3	121	_____	_____
1915	5	125	_____	_____
1916	-2	120	_____	_____