

ASHESI UNIVERSITY
ECON 100: PRINCIPLES OF ECONOMICS
2024 SPRING SEMESTER
PROBLEM SET 2

Answer all Questions.

30 Marks

QUESTION 1

In Ghana, agricultural produce such as palm nuts and maize (typically processed by the local people for cooking) are measured in a unit called “Olonka”. Assume that palm nuts and maize are the only goods produced in Ghana. In 2020, 2021 and 2022, the quantities of palm nuts produced were 100, 200 and 200 Olonkas, respectively. In comparison, the quantities of maize produced in Olonkas in 2020, 2021, and 2022 were 50, 100 and 100 respectively. Suppose an Olonka of Palm nut was sold at Gh¢1 in 2020, Gh¢1 in 2021 and Gh¢2 in 2022. Also, an Olonka of maize was sold at Gh¢2 in 2020, Gh¢2 in 2021 and Gh¢4 in 2022. Additionally, in 2021 the real GDP for the Ghanaian economy was equal to the nominal GDP.

You are required to:

- a) Compute the real GDP growth rates for 2021 and 2022. **[8 Marks]**
- b) Compute the inflation rates for 2021 and 2022. **[8 Marks]**
- c) Comparing the 2020-2021 and 2021-2022 fiscal years, in which year did consumer well-being improve? Explain. **[6 Marks]**

QUESTION 2 [8 Marks]

GDP may not be a good measure of the country's economic well-being. Discuss

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