

**PRACTICE - CHAPTER 1**

**1. Suppose Westeros, an imaginary country, only produces two goods: glass and steel. The table below lists the quantity and price of each good in 2005, 2015, and 2016.**

Year	2005		2006		2016	
Goods	Quantity	Price (\$/each)	Quantity	Price (\$/each)	Quantity	Price (\$/each)
Glass	5	\$1,000	8	\$1,020	10	\$1,050
Steel	10	\$20	25	\$34	25	

Answer the following questions

1) What is the nominal GDP in 2005? What is the nominal GDP in 2006? What is the growth rate of nominal GDP from 2005 to 2006?

2) Choose 2005 as the base year. What is real GDP in 2005? What is real GDP in 2006? What is the growth rate of real GDP from 2005 to 2006?

3) Choose 2005 as the base year. What is real GDP in 2016? Suppose the GDP deflator in 2016 is 1.1. What is nominal GDP in 2016?

4) Based on the nominal GDP you find in 3), what is the price of steel in 2016?

5) Choose 2005 as the base year. Use GDP deflator as the measurement of the aggregate price level in Westeros. What is GDP deflator in 2005? What is GDP deflator in 2006? What is inflation rate in 2006? Does aggregate price level go up or down from 2005 to 2006?