

EC 103–004

Problem Set 2

Prof. Santetti

Spring 2024

INSTRUCTIONS: Carefully read all problems.

Recall that group work is *strongly recommended*.

Have fun!

Problem 1

The following 5 statements are either **True** or **False**. If **False**, provide a brief explanation why.

- (a) An economy's *potential output* is the maximum quantity of goods and services it can produce, given its limitations.
- (b) One way of measuring *labor productivity* is by dividing an economy's GDP by its population.
- (c) The periods of *ups* and *downs* experienced by a national economy are known as economic growth periods.
- (d) *Recessions* are defined as the periods from a business cycle's trough to peak.
- (e) Workers' specialization is one factor responsible for increasing labor productivity.

Problem 2

Go to the [FRED website](#) and search for the following macro series:

- GDPC1 (real Gross Domestic Product);
- UNRATE (unemployment rate);
- CPIAUCSL (Consumer Price Index for all urban consumers: All items in U.S. city average).

Then, compute the following (show your calculations):

- (a) The growth rate of real output between 2019Q4 and 2020Q2;
- (b) The growth rate of inflation between June 2020 and August 2023;
- (c) The growth rate of unemployment between February 2020 and April 2020.

Problem 3

Watch this [TED talk](#) by Oxford economist Kate Raworth. It provides a *different* view of economic growth as seen in class.

Reflect on Raworth's words, and compare them with (i) the standard definitions of economic growth seen in class, as well as (ii) your own values concerning how you and society should thrive.