

Choose the one alternative that best completes the statement or answers the question.

- Write your answer in the space provided or on a separate sheet of paper.**

- 1

9) If nominal GDP is \$230 for a period and real GDP is \$200 for the same period, what is the GDP deflator for this period?

10) A typical household in Orangeland consumes only orange juice and shorts. Last year, which was the base year, the household spent \$400 on juice and \$120 on shorts. In the base year, juice was \$2 a bottle and shorts were \$10 a pair. This year, juice is \$3 a bottle, shorts are \$12 a pair, and a typical household has bought 180 bottles of juice and 14 pairs of shorts.

- a) What is the basket used in the CPI?
- b) Calculate the CPI in the current year.
- c) Calculate the inflation rate in the current year.
- d) Is the inflation rate that you've calculated likely to be biased? Why or why not?