

Assignment | Unit 5

Unemployment and the Cost of Living

1. Your Assignment should have a cover sheet with the following information:
 - Your Name
 - Course Number
 - Section Number
 - Date
2. You may submit your Assignment using the [Unit 5 Assignment template](#).
3. Your answers should follow APA formatting by being in double spaced paragraph format, with citations to your sources and, at the bottom of your last page, a list of references. Your answers should also be in Standard English with correct spelling, punctuation, grammar, and style.
4. Respond to the questions in a thorough manner, providing specific examples of concepts, topics, definitions, and other elements asked for in the questions. Your paper should be highly organized, logical, and focused.
5. Required Format:
 - Correct APA formatting for answers (cover sheet with name, course number, section number, unit number, date, answers double spaced, in Times New Roman 12-point font). Review the APA formats found in the Writing Center.
 - Correct citations within answers
 - Standard English with no spelling or punctuation errors
 - Correct references at the bottom of the last page

Assignment

According to the author of the textbook, economists measure prices in the macro-economy to generate a consumer price index (CPI) and, then employ the CPI to compare dollar figures from different points in time and to adjust interest rates for inflation. This helps measure the change in the cost of living. The labor market is also introduced, and enables us to see how full utilization of labor resources improves the level of production and the standard of living. Economists measure the performance of the labor market using unemployment statistics. Based on the Assignment questions explain the cost of living and unemployment issues in the economy.

This Assignment will assess your knowledge based on the following outcome:

AB204-2: Explain macroeconomic aggregates such as the GDP, inflation rate, unemployment rate, and their implications on the national economy.

1) Assume there is a simple economy where people consume only 2 goods, food and clothing. Further assume that the market basket of goods used to compute the CPI consists of 100 units of food and 20 units of clothing.

	Food	Clothing
2004 price per unit	\$8	\$20
2005 price per unit	\$12	\$40

- Compute the percentage changes in the price of food and the percentage change in the price of clothing between 2004 and 2005.
- Calculate the percentage change in the CPI between 2004 and 2005.
- Do you think the CPI price changes affect all consumers in the economy to the same extent? Explain.

2) Calculate how much each of the following items is worth in terms of today's dollars using 180 as the price index for today.

a.	In 1925, the CPI was 18 and the price of a movie ticket was \$0.30.
b.	In 1930, the CPI was 14 and a cook earned \$20 a week.
c.	In 1940, the CPI was 16 and a gallon of gas cost \$0.20.

3) The table below uses data for 3 hypothetical countries. All the number values are in thousands. Complete the blank entries in the table below.

Country	Adult Population	Labor Force	Employed	Unemployed	Unemployment Rate	Labor-Force Participation Rate
A	120,000		60,000	4,500		
B		28,000		3,000		60
C	70,000	40,000			10	

- 4) The following table indicates U.S. real GDP data. Calculate real GDP per person for 1987 and 2005. Then use real GDP per capita to compute the percentage change in real GDP per person from 1987 to 2005.

Year	Real GDP (2000 prices) (in million)	Population (in million)
1987	\$6,435,000	243
2005	\$11,092,000	296.6

This Assignment is related to Chapters 11 and 15, which discuss how to measure the cost of living and rate of unemployment in the economy.

Directions for Submitting Your Assignment

Before you submit your Assignment, you should save your work on your computer in a location and with a name that you will remember. Make sure your Assignment is in the appropriate format (Microsoft Word), then, when you are ready, you may submit to the Dropbox.

Unit 5 Assignment: Employment Theory and the Price Level		
Content and Analysis	Points Possible	Points Earned
Problem # 1	5	
• Computed the growth rates of prices. (“a”)		
• Correctly calculated the CPI. (“b”)	4	
• Explained the effects of price changes.	3	
Problem #2	4	
• Computed changes in prices using CPI. (“a”)		
• Computed changes in prices using CPI. (“b”)	4	
• Computed changes in prices using CPI. (“c”)	4	
Problem #3	6	
• Complete the missing values in the table.		
Problem #4	5	
• Calculate the real GDP growth rate.		
Writing style, grammar, and APA formatting.	5	
Total	40	