1.

a. Aggregate expenditure is the sum of consumption, investment, government purchases, and net exports. Adding these up, one gets the total of $150 million.

b. Aggregate income is $150 million, income equals expenditure.

c. GDP is $150 million, GDP equals aggregate expenditure.

d. The government budget deficit is $5 million, it equals government purchases minus taxes.

e. Household savings is $25 million. Household savings equals aggregate income minus consumption expenditure minus taxes.


g. National savings is $20 million. It equals the sum of household savings and government savings.

h. Borrowing from the rest of the world equals $10 million. It equals -1 time net exports.

2.

a. Highland GDP is $610,000, which is immediate from the GDP identity.

b. In order to calculate GDP using factor incomes, we would need data on interest and rent, which are not given in the problem.

c. Investment comes from private savings+government savings+borrowing from the rest of the world.
3.  
   a. nominal GDP in 2003 is $25,000; nominal GDP in 2004 is $33,800. Simply calculate total expenditures in each year.
   b. Real GDP in 2004 is $ 27,250. One calculates real 2004 GDP using the base year (in this case, 2003) prices.

4.  
   a. The unemployment rate is 5.8%. Unemployment is defined as the percentage of the labor force that is unemployed.
   b. The labor force participation rate is 66.8%. The labor force participation rate is the percentage of the working age population in the labor force.
   c. The employment to population ratio or employment rate is 63%. The employment rate is the percentage of the working age population that is employed.

5.  
   a. The labor force is 11,900 in July. It equals the number of employed plus unemployed.
   b. The unemployment rate is 7.6% in July.
   c. The working age population is 16,900.
   d. The employment to population ratio or employment rate is 65.1%.
   e. The number of people unemployed at the end of August is 810. It equals the number of unemployed in July plus job losers, job leavers, new entrants to the labor force, and reentrants to the labor force minus hires, recalls and withdrawals from the labor force.
   f. The number of people employed at the end of August is 11,130. It equals the number of employed in July plus hires and recalls minus job losers and job leavers.
g. The labor force at the end of August is 11,940. It equals the number employed plus the number unemployed.

h. The unemployment rate at the end of August is 6.8%.

6.

a. The CPI basket consists of 10 mangoes and 20 bags of nuts.

b. The CPI in the current year is 135.7 appears on pg. 142.

c. The inflation rate is 35.7%. The formula for this appears on pg. 142.