

Chain weighted data

Annual rates

Seasonal adjustment

Three kinds of unemployment:

1. frictional

2. structural

3. cyclical

Costs of Inflation:

1. Distribution of Income

2. Administrative costs

3. Uncertainty

Anticipated versus unanticipated

Real interest rate (r)

Nominal interest rate (i)

Rate of inflation (\dot{p})

$$r \equiv i - \dot{p}$$

	Q_1	Q_2	P_1	P_2
A	6	11	.50	.40
B	7	4	.30	1.00
C	10	12	.70	.90

BASE YEAR = 1

$$.50 \times 6 + .30 \times 7 + .70 \times 10 = \$12.10 \text{ Nominal GDP}$$

$$.40 \times 6 + 1.00 \times 7 + .90 \times 10 = \$18.40$$

$$\frac{18.40}{12.10} = 1.52 \text{ (52\% inflation using year 1 quantities)}$$

BASE YEAR = 2

$$.50 \times 11 + .30 \times 4 + .70 \times 12 = \$15.10 \text{ ~~Nominal GDP~~}$$

$$.40 \times 11 + 1.00 \times 4 + .90 \times 12 = \$19.20 \text{ Nominal GDP}$$

$$\frac{19.20}{15.10} = 1.27 \text{ (27\% inflation using year 2 quantities)}$$

$$\frac{15.10}{12.10} = 1.25 \text{ (25\% real growth using year 1 prices)}$$

$$\frac{19.20}{18.40} = 1.04 \text{ (4\% real growth using year 2 prices)}$$