AP Macroeconomics
Price Indices and Inflation

1. Give 2 definitions of inflation

2. If the CPI is 100 in 2004 and 103 in 2005, then what is the inflation rate?

3. If the CPI is 75 in 1996 and 100 in 2004, then what is the inflation rate between 1996 and 2004?

4. Suppose that a typical consumer buys the following quantities of three commodities in 1993 and 1994.

Commodity	Quantity	1993 per Unit Price	1994 per Unit Price
Food	5 units	$6.00	$5.00
Clothing	2 units	$7.00	$9.00
Shelter	3 units	$12.00	$19.00

What can be concluded about the consumer price index (CPI) for this individual from 1993 to 1994?

5. Suppose the price level in the United States has risen in the past year, but production of goods and services has remained constant. Based on this information, which of the following is true?

	Nominal GDP	Real GDP
a.	Increased	Increased
b.	No change	Decreased
c.	Decreased	Decreased
d.	Increased	No change
e.	Decreased	Increased

6. Which of the following are harmed by unanticipated high rates of inflation?

i. Borrowers repaying a long-term loan at a fixed interest rate
ii. Savers who have put their money in long-term assets that pay fixed interest
iii. Workers who have negotiated cost-of-living adjustments into their contracts
iv. Persons living on fixed incomes