

Class Assignment 1

API 5125, section B

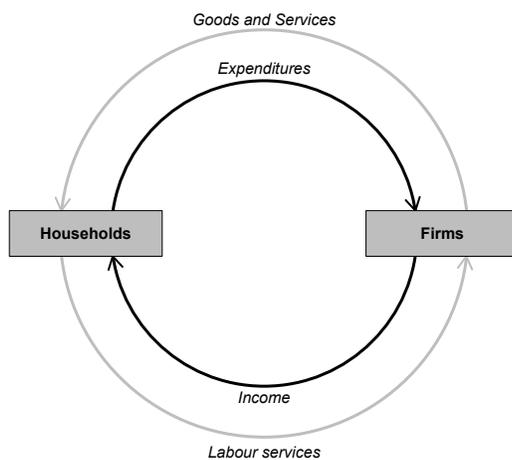
September 15th, 2016

Instructions

- The assignment is due in hardcopy to be handed directly to the professor at the beginning of class on September 22nd. Late assignments will not be accepted, and the student will receive a grade of zero for the assignment.
- Feel free to work individually, or in small groups when preparing to answer the questions. But each individual must complete and hand in their own work.
- The assignment has 3 questions. In order to be able answer the second and the third you will have to read ahead and use the materials in the course reading list for the September 22nd class.

Question 1

- (a) Clearly and carefully define “Gross Domestic Product,” explain what it is used for, and explain the three different methods used to measure it, noting any particular challenges associated with each method or its interpretation.
- (b) Explain what this diagram is supposed to represent, and explain how it is associated with each of the three methods used to calculate GDP.

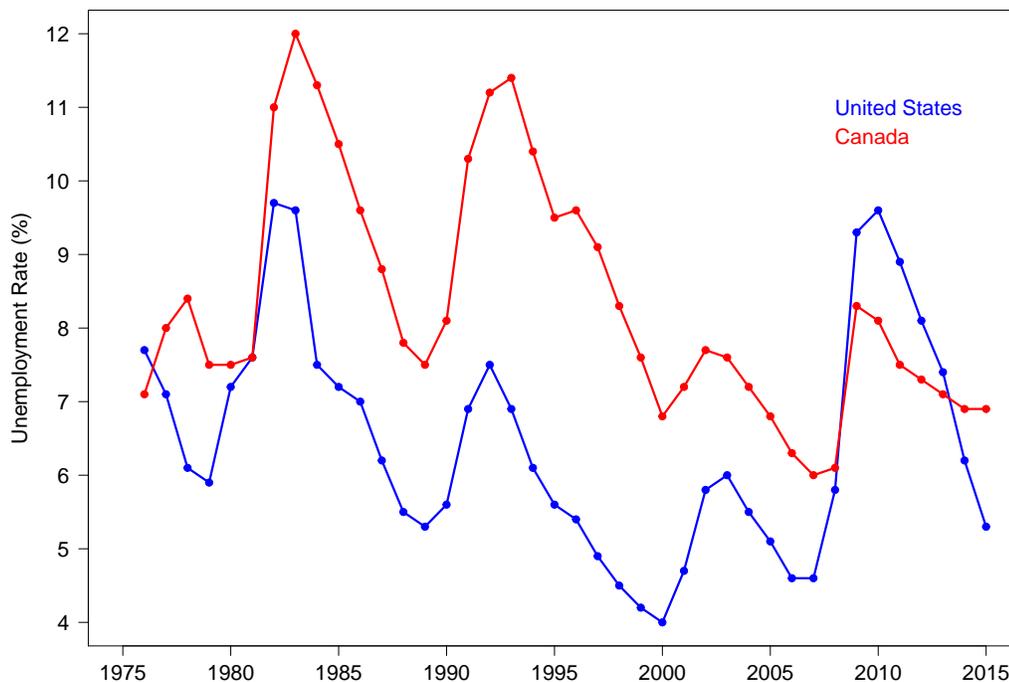


- (c) In what ways is GDP a measure of societal well-being, and in what ways is it not? What are the arguments against replacing it?

Question 2

- (a) How does Statistics Canada define and measure “unemployment”?
- (b) Describe the major tendencies in the following chart, and explain any concerns an analyst might have in interpreting the patterns in the two countries and their relationship.

Unemployment rates in Canada and the United States



Source: FRED, <http://research.stlouisfed.org/fred2/series/UNRATE#>
 Statistics Canada, CANSIM, Table 282-0002 and 282-0086

(c) Is it possible for the unemployment rate to rise when the employment rate is rising? Explain.

Question 3

- (a) Explain how Statistics Canada calculates the Consumer Price Index, and note any particular challenges or shortfalls.
- (b) Define what economists mean by the term “inflation,” and describe the major patterns and changes in the Canadian inflation rate during the last, roughly, 50 years or so.
- (c) What are the major economic consequences of inflation?