

**THE UNIVERSITY OF ILLINOIS AT CHICAGO**  
**ECON 221: MACROECONOMICS IN THE WORLD ECONOMY**  
**AUTUMN 2008**

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Your name: \_\_\_\_\_

**Homework 1**

1. [2 points] Consider the following GDP data:

	China			U.S.A.	
	Nominal (billions of Yuan)	Real (billions of 1990 Yuan)	*	Nominal (billions of US\$)	Real (billions of 1990 US\$)
2004	16028.0	7463.2	*	11657.3	8692.3
2005	18670.1	8224.5	*	12397.9	8973.1
2006	21263.3	9104.5	*	13192.3	9276.7

Calculate nominal and real growth rates, and the inflation rates, for 2005 and 2006.

2. [8 points] (a) Suppose an economy is hit by an adverse oil shock. Use the labor market and the production function to predict the effects on employment, real wages, unemployment, and real output. (b) Consider the following data for Japan:

	oil price (\$/barrel)	employment (1000s of persons)	unemployment (1000s of persons)	real wage (growth rate)	real GDP (1985 ¥)
1971	2.57	51216	645	8.03%	178993
1972	2.80	51242	736	9.60	193712
1973	3.14	52595	668	7.52	208484
1974	11.22	52364	722	2.31	207197
1975	10.60	52228	1004	4.02	213122
1976	11.83	52705	1074	1.26	222098

Note that oil prices tripled in 1974. Are your predictions in (a) consistent with the Japanese experience of the mid-1970s?