

Year	C	I	G	X	Im	GDP
1996	4714	1069	1258	857	971	
1997	4868		1270	963	1109	7189

Source: Bureau of Economic Analysis. All figures are in billions of (real) 1992 dollars.

a) Fill in the missing values in the table above. (4 points)

1996: $GDP = C + I + G + (X - Im) = 4714 + 1069 + 1258 + (857 - 971) = 6927$

1997: $7189 = 4868 + I + 1270 + (963 - 1109) \rightarrow I = 1197$

b) What are the values for net exports in 1996 and 1997? Show your work. (2 points)

1996	1997
-114	-146

$NX = X - Im$

c) GDP rose by about 3.8% from 1996 to 1997 in real dollars while inflation at the consumer level was 2.5%. This represents historically high growth in the economy and historically low inflation. In addition, unemployment remained constant at 5%. Using AED and ASP, show how this might have happened. Explain your graph. (4 points)

Because unemployment did not fall, we can assume that full-employment (potential) GDP rose also. This indicates that both AED and ASP were shifting to the right.