

**Economics 522  
Homework**

**Fixed Base Year and Chain-Weighted Methods**

Data from the following table are used to answer all questions below.

**TOTAL OUTPUT PRODUCED IN 2005 AND 2006:**

year	value in 2005 prices	value in 2006 prices
2005	1000	2000
2006	1200	2200

- A) Using the fixed base year method with 2005 as the base year, at what rate did real output grow between 2005 and 2006?
- B) Using the fixed base year method with 2006 as the base year, at what rate did real output grow between 2005 and 2006?
- C) Using the (simplified) chain-weighted method, at what rate did real output grow between 2005 and 2006?
- D) What was the level of real output in 2006 using the chain-weighted method with 2005 as the base year for chaining?
- E) Using the chain-weighted measures of real output, what are the GDP deflators for 2005 and 2006?
- F) What is the rate of inflation between 2005 and 2006?
- G) Why would inflation be the same if you chain-weighted real output to a base year of 2006 instead of the base year of 2005?