

ANSWER OUTLINE

ECONOMICS 353

L. Tesfatsion/Fall 05

EXERCISE 1: Six Questions (8 Points Total)

DUE: Tuesday, Aug 30, 2:10pm

****IMPORTANT REMINDER: LATE ASSIGNMENTS WILL NOT BE ACCEPTED
– NO EXCEPTIONS****

EXERCISE INSTRUCTIONS:

- (1) Please **fill in your name and student ID number** on Side 1 of your bubble sheet and write **353 Exercise 1** in the top margin of Side 1.
- (2) Use a number 2 pencil to **mark your answers** on Side 1 of the bubble sheet to the first five questions Q1 through Q5, below, which are in multiple choice format.
- (3) The sixth question Q6 is a Web Exercise that asks you to prepare data in table and graphical form using an Excel spreadsheet and print out the graphical data. Please put your **name and student ID number** at the top of your print-out sheet for Q6 along with **353 Exercise 1** and **separately** hand in this print-out sheet for Q6 in addition to your answer bubble sheet for questions Q1 through Q5.
- (4) Each question Q1 through Q5 is worth 1 point, and Q6 is worth 3 points.

Q1 (1 point). According to Mishkin (Chapter 1), academics commonly define a “bond” as a

- A. long-term corporate debt instrument.
- **B.** debt security that promises to make payments periodically for a specified period of time.
- C. security that confers on the holder an ownership share in a corporation.
- D. capital instrument used to finance initial public offerings.

Q2 (1 Point). According to Mishkin (Chapter 1), interest rates on different types of bonds

- A. closely tracked each other during the entire period 1950-2002.
- B. never closely tracked each other during the period 1950-2002.
- **C.** differed substantially from each other at some points during 1950-2002.
- D. exhibited only minor fluctuations during the period 1950-2002.

Q3 (1 Point). According to Mishkin (Chapter 1), the U.S. government budget

- **A.** fluctuated from surplus to deficit several times over the period 1950-2002.
- B.** was in deficit over the entire period 1950-2002.
- C.** was in surplus over the entire period 1950-2002.
- D.** is only in deficit during times of recession.

Q4 (1 Point). As shown by data presented in class (source: www.economagic.com), the **GROWTH RATE** of U.S. real Gross Domestic Product (GDP)

- A.** has steadily increased from 1950-2004.
- B.** has steadily decreased from 1950-2004.
- **C.** has averaged about 3 percent from 1950-2004.
- D.** has averaged about 5 percent from 1950-2004.

Q5 (1 Point). As shown by data presented in class (source: www.economagic.com), measures of U.S. inflation based on the GDP Deflator and the Consumer Price Index (CPI)

- A.** have strongly diverged from each other over 1948-2003.
- **B.** have tended to move together over 1948-2003.
- C.** have tended to move in opposite directions over 1948-2003.
- D.** have both steadily increased over 1948-2003.

**SEE THE FOLLOWING PAGE FOR
Q6: WEB EXERCISE**

Q6: Web Exercise (3 Points). Web Exercise 1, Mishkin Chapter 1, Page 19, on the presentation of stock index data through tables and graphs.

- Carry out steps a and b of this exercise, following the same steps as described by Mishkin for the sample Treasury note Web exercise he discusses at some length on pages 15-17.
- For part b, construct a graph (chart) of your stock data using the same general format Mishkin uses for the Treasury note data in his sample Treasury note Web exercise on page 17 (Figure 11). **However, in addition, include the title “Dow Jones Industrial Average” for your graph and label the X and Y axes “Date” and “Stock Index Value,” respectively.**
- Make a one-page print-out of your graph (just the graph, not the long table of data!)
- Turn in this one-page print-out for Q6 together with your answer bubble sheet for Q1 through Q5 (do not staple or otherwise attach the two sheets). Be sure that both sheets (your print-out sheet and your answer bubble sheet) include the following information in the top margin: Your name, student ID number, and the words “353 Exercise 1.”

Notes: In Web Exercise 1, Mishkin says to click on “stock indices” at the top of the page of the indicated website, but the current labeling of the tab is “stock index data.” Using MS Excel 2003, I had to drag the “Text to Columns” command to the main Excel toolbar after finding it under Tools/Customize/Commands/Categories/Data; it was not automatically there as Mishkin’s instructions seem to imply. Finally, the Excel graph (chart) for the sample Web exercise on page 17 is a “line diagram,” NOT a “scatter diagram” as indicated by Mishkin in his description of this graph on page 16.

Dow Jones Industrial Average

