

ANSWER OUTLINE

ECONOMICS 353 (SECTION 2)
EXERCISE 1: 6 POINTS TOTAL

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DUE: Tuesday, January 20, 2:10pm

****IMPORTANT REMINDER: LATE ASSIGNMENTS CANNOT BE ACCEPTED – NO EXCEPTIONS****

Q1. According to time series data presented in Mishkin (Chapter 1):

- A. U.S. stock prices dramatically increased over 1980-2000.
- B. The U.S. money supply (M2) dramatically increased over 1980-2000.
- C. U.S. interest rates dramatically increased over 1980-2000.
- D. All of the above.
- **E.** Only A and B

Q2. A BUSINESS CYCLE is

- A. a record of the recurrent fluctuations that occur in business profits.
- B. the duration of a business from its founding date to its dissolution date.
- **C.** a record of the recurrent fluctuations that occur in time series data for key macro variables such as real GDP.
- D. the average duration of business product cycles, from introduction to obsolescence.

Q3. The U.S. CONSUMER PRICE INDEX (CPI) for year 2004 is a measure of

- A. the average dollar price of the goods and services included in U.S. GDP in 2004.
- B. the inflation-adjusted value of the U.S. nominal GDP level in 2004.
- C. the average price of all consumption goods sold in the U.S. in 2004
- **D.** the value of a basic basket of goods and services bought by a typical U.S. urban household in 2004.

Q4. A TREND LINE is a measure of

- **A.** the average movement exhibited by the time series data for some variable.
- B. a currently hot fad among consumers.
- C. the average magnitude of fluctuations in real GDP.
- D. the average duration of business cycle expansions.

Q5. With regard to the United States, at the Federal government level

- A. budget deficits have always been a short-term problem (less than 6 months).
- B. budget deficits only exist in time of recession.
- **C.** the financing of the current budget deficit is a key political issue.
- D. the use of the current budget surplus is a key political issue.
- E. all answers above except D

Q6. Carry out the Web exercise at the end of Mishkin chapter 1 (pp. 15-16)

A print-out of the requested table and chart is given on the next page.

Web exercise at the end of Mishkin Chapter 1 (15-16)

Year	30 Year	1 Year
1977	7.75	6.08
1978	8.49	8.34
1979	9.28	10.65
1980	11.27	12.00
1981	13.45	14.80
1982	12.76	12.27
1983	11.18	9.58
1984	12.41	10.91
1985	10.79	8.42
1986	7.78	6.45
1987	8.59	6.77
1988	8.96	7.65
1989	8.45	8.53
1990	8.61	7.89
1991	8.14	5.86
1992	7.67	3.89
1993	6.59	3.43
1994	7.37	5.32
1995	6.88	5.94
1996	6.71	5.52
1997	6.61	5.63
1998	5.58	5.05
1999	5.87	5.08
2000	5.94	6.11
2001	5.49	3.49
2002	5.43	2.00

