

Write your name on the cover of the test booklet and nowhere else. Enclose this sheet with the booklet. Failure to follow these directions will cost you 1 point. The test has 100 points and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 16-point question should take 8 minutes. I will give a few extra minutes, but probably no later than about 5 or 10 minutes after the hour.

- 1) (10 points) Define EITHER cyclical unemployment OR disinflation.
- 2) (14 points) For EITHER the Dow Jones Index OR the Index of Industrial Production (IIP), explain how it is calculated.
- 3) (16 points) Do EITHER part A OR part B.
  - A) Explain the difference between the discount rate and the prime rate.
  - B) Explain the difference between the spot and forward exchange rates.
- 4) (16 points) Do EITHER part A OR part B.
  - A) Do we have a centralized or decentralized data system? What is the problem with that?
  - B) One indicator of future economic activity that economists look at is average workweek. What is it and what does an increase signify?
- 5) (18 points) Suppose that you have the following data. Use it to calculate the Paasche price index and the inflation rate. Briefly explain how you calculated them and show all work.

	Quantity 2001	Quantity 2002	Price 2001	Price 2002
Apples	100	120	\$0.50/apple	\$0.25/apple
Bananas	50	40	\$0.40/banana	\$0.60/banana
Compact discs	30	24	\$1.00/CD	\$2/CD

- 6) (26 points) On homework assignment #2 was the following question: “Use the table below to calculate the  $Y^{SA}$ . . . .” The data included quarterly GDP statistics for five years. Without doing the calculations, write the columns that you would have calculated and the formulas you would have used to calculate each column. Briefly explain what each calculation does.