**IMPORTANT REMINDER: ASSIGNMENTS ARE DUE AT THE BEGINNING OF CLASS ON THE DUE DATE. LATE ASSIGNMENTS WILL NOT BE ACCEPTED AFTER THE DISCUSSION OF ANSWERS HAS BEGUN – 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 an exercise that asks you to chart and analyze some housing price data using an Excel spreadsheet. Please put your name and student ID number at the top of your answer sheet for Q6 along with 353 Exercise 1 and separately hand in your Q6 answer sheet in addition to your bubble sheet answers for questions Q1-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), the growth rate for any variable X from time t-1 to time t is

- A. the change in X from t-1 to t.
- B. the increase in X from t-1 to t.
- C. the percentage change in X from t-1 to t.
- D. the average value of X during the period from t-1 to t.

Q2 (1 Point). According to Mishkin (Chapter 1) and class lectures, the inflation rate from year T to year T+1 for any home country (HC) is

- A. the percentage change in the HC’s aggregate price level from T to T+1.
- B. the increase in the HC’s aggregate price level from T to T+1.
- C. the increase in the value of the HC’s currency from T to T+1.
- D. the percentage change in the HC’s nominal GDP from T to T+1.
- E. none of the above.
Q3 (1 Point). As shown by empirical data presented in class, real GDP in the U.S. since 1950 has exhibited

A. much more volatility (larger fluctuations) than before 1950.
B. much less volatility (smaller fluctuations) than before 1950.
C. a growth rate averaging around 3.1%.
D. both B and C above.
E. both A and C above.

Q4 (1 Point). As shown by empirical data presented in class, the U.S. Federal Funds rate and the six-month U.S. Treasury bill interest rate from 1990 to 2010 have

A. tended to move up and down together (i.e., exhibited positive correlation).
B. tended to move in opposite directions (i.e., exhibited negative correlation).
C. tended to sharply decline during times of recession.
D. both A and C.
E. none of the above.

Q5 (1 Point). As shown by empirical data presented in class, one likely reason for the increase in the inequality of wealth in the U.S. during 1983-2007 is the

A. dramatic fall in the U.S. current account during this time period.
B. dramatic increase in the U.S. government debt-to-GDP ratio during this time period.
C. dramatic overall increase in U.S. stock prices and housing prices during this time period.
D. dramatic rise in the Euro/U.S.$ exchange rate during this time period.

SEE THE FOLLOWING PAGE FOR
Q6: DATA ANALYSIS EXERCISE
Q6: Data Analysis (3 Points Total).

This data analysis exercise asks you to prepare a chart allowing you to compare and contrast USA and East North Central housing price data from 1991:Q4 (i.e., 4th quarter of 1991) through 2010:Q2 (i.e., 2nd quarter of 2010). The steps needed to carry out Part A of Q6 are similar (but not identical) to the steps outlined for the sample web exercise on pages 16-18 of our Mishkin textbook (Business School Edition, 2nd Edition). It is strongly recommended that you carry out this sample web exercise, as practice, prior to doing Q6.

Print out your chart for Part A (just the chart, not the table of data), and write your verbal answer for Part B on this print-out.

Separately turn in your answer sheet for Q6 and your bubble sheet answers for Q1-Q5 (do not staple or otherwise attach the two answer sheets). For your protection, be sure that your Q6 answer sheet and your bubble sheet answers each include your name, your student ID number, and “353 Exercise 1.”

Q6: Part A [1 Point]

(1) Download the Excel data file at
   http://www.econ.iastate.edu/classes/econ353/tesfatsion/HousingDataEx1.2010.xls

(2) This Excel file contains data for two different housing price indices: (a) the USA as a whole; and (b) the East North Central Region of the USA. Use the Excel chart wizard to prepare a line chart that simultaneously graphs these two different price indices over the time period from 1991:04 to 2010:02. Use the “Price” columns of data for your two “Y” series and use the “Quarter” column of data for your “X” series. Name the “Y” series for the USA price data as “USAPrice” and name the “Y” series for the East North Central price data as “ENCPrice.” Set the title of your chart as follows: “USA vs. East North Central House PriceIndices (1991:Q1=100,SA). Label your “Y” axis “Price Index” and your “X” axis “Quarter”.

Q6: Part B [2 Points] Using your chart results from Part A, compare and contrast the behavior of housing prices in the East North Central region of the USA versus housing prices for the USA as a whole. What do you think accounts for the differences displayed in these two price indices?

Important Remarks Regarding Mishkin’s Sample Web Exercise (Pages 16-18):

In this exercise you are given data already in column form. In general, when downloading data from the web, it comes in two forms: delimited (e.g., by commas); and fixed width (e.g., separated by tabs or spaces). To prepare the data for charting, you would then first need to separate the different data fields into different columns by clicking on DATA/TEXT-TO-COLUMNS in the Excel menu bar and choosing either the “Delimited” option or the “Fixed Width” option, as appropriate.
USA vs. East North Central House Price Indices
(1991Q1=100,SA)