Barreto, Spring 2014, DePauw University

NAME: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Econ 390: Macro Topics

# Exam 2: Macro Data

*15 Questions. Ten questions worth 5 points and five worth 10 points.*

Open the Excel workbook Exam2S2014.xls. It is the only file you are allowed to have open. Do not cheat. If you have any questions, raise your hand and I will help you.

**Immediately Save As to your I drive folder.** You don’t have to change

the name of the file, but it has to be in your I drive folder so I can access it.

***GDP***

Q1) In the *GDP* sheet, use the FRED Excel add-in to download quarterly real potential GDP and real GDP for the United States for as many years as you can that have data for both series.

Hint: Make sure the dates align.

Q2) Use FRED’s graphing tool to plot these two series.

Hint: Remember the basic elements of a good chart.

Q3) Download real consumption and real investment via FRED.

Q4) Use the SERIES formula method to add these two series to your chart. Briefly explain below what you did.

**Save your workbook now.**

Q5) This chart is not a good way to support the claim that investment volatility is driving fluctuations in GDP because you can’t really see anything. What would be a better approach? You don’t have to do it—just tell me what you would do and what the chart would look like.

***Unemployment***

Proceed to the *UDef* sheet.

Q6) In cells A1 and A2, enter formulas that compute LFPR and U based on the numbers in the flow chart. (Obviously, you will have to do some computations to fill in the missing numbers.)

Q7) In the text box, explain the difference between being unemployed versus out of the labor force.

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Proceed to the *Search* sheet.

Q8) (10 points) Use simulation (click the MC Sim button) to demonstrate that n=10 is the optimal number of job offers to acquire. Describe the simulation results below, citing specific numbers to show that n\*=10.

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Q9) How does this search model help explain an increase in the full-employment or target unemployment rate from around 4% in the 1960s and 1970s to 5% or more today?

***Inflation***

Proceed to the *USInflation* sheet.

Q10) Use FRED to get the annual inflation rate based on the CPI (CPIAUCSL) for the United States from 1950 to 2013.

Q11) (10 points) Point to a particular time period where US inflation performance was bad and explain how and why this would harm the economy.

Proceed to the *Gold* sheet.

Q12) (10 points) Use the data to compute the real price of gold in 2012 dollars and make a chart that compares the nominal and real price of gold.

In a text box below your chart, answer this question: The nominal price of gold, $1,700/ounce in 2012, is much, much higher than it has ever been before. The previous peak (before the current run up) was just over $600 in 1980. Does the real price of gold tell the same story about the incredibly high price of gold?

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***Money***

Q13) (10 points) Give two reasons that explain why it is so hard to show an empirical relationship between growth in the money supply and inflation.

1)

2)

Q14) (5 points) What was the monetarist experiment and what were the results?

Q15) (10 points) Mexico has had bouts of severe inflation. Most recently, in 1995 and 1996, the annual percentage change in the CPI was about 35%. What would you expect interest rates to be during this time and why?

**Save your workbook one last time. When you turn in your exam, I will check to make sure it is in your I drive folder.**