

TEST #2 – ANSWER GUIDE – Saturday Test

Multiple Choice:

Version 1 – Question #1 starts “Cyclical unemployment ...”

D,A,D,B,A, C,D,A,B,A C,C,A,B,D, B,C,A,C,A B,C,C,A,B, C,D,D,B,B B,B,C,A,C, B,B,A,A,A C,B,B,C,A, B,B,D,D,A

Version 2 – Question #1 starts “In the country of Hyrkania...”

A,C,A,C,D, C,C,C,B,A D,D,D,B,C, B,B,C,A,D C,B,D,B,C, D,C,D,A,A B,A,D,B,A, A,C,C,B,C B,D,B,B, D,B,A,C,D

Version 3 – Question #1 starts “People who buy newly issued stock ...”

B,C,C,A,D, A,C,C,B,B A,B,D,D,C, D,B,B,C,A D,B,C,B,C, A,B,D,B,A B,D,A,C,C, C,C,C,D,A A,C,B,A,C, A,D,C,D,A

Short Answer:

CPI Question

	Version 1	Version 2	Version 3
Part (a)	Food – 50% Clothing – 100%	Food – 100% Clothing – 50%	Food – 200% Clothing – 100%
Part (b)	60%	83.3%	150%
Part (c)	People who consume more clothing are worse off	People who consume more food are worse off	People who consume more food are worse off

Money question

3 functions – store of value; unit of account; medium of exchange

Peso is money in Mexcio since it fulfills all three functions of money. US bond is NOT money in Mexico – it is a store of value but is not the unit of account or the medium of exchange

Growth question

See podcast of lecture 13 for the diagram (worth 2 points). A verbal description of your diagram was worth 1 point. The catch up effect – poor countries grow faster than rich countries (worth 1 point).