

## Econ 101 Class 21 Questions

1. If the CPI of Simple Land is 1.00 in 2005, 1.07 in 2006, and 1.05 in 2007 then...
  - A. Simple Land experienced inflation in 2006 and deflation in 2007. \*\*
  - B. Prices in Simple Land rose by about 12 percent between 2005 and 2007.
  - C. Simple Land experienced a large rate of inflation in 2006 and a small rate of inflation in 2007.
  - D. Prices in Simple Land rose by 2 percent between 2005 and 2007.
  
2. If Babe Ruth earned \$80,000 in 1930 and Barry Bonds earned \$15.5 million in 2007 and if the CPI in 1930 was 16.8 and the CPI in 2001 was 208.3, then...
  - A. Babe Ruth had a higher standard of living than Barry Bonds.
  - B. Barry Bonds had a higher standard of living than Babe Ruth. \*\*
  - C. Babe Ruth experienced more inflation than Barry Bonds.
  - D. Barry Bonds experienced more inflation than Babe Ruth.
  
3. At each family gathering, your grandfather is fond of pointing out that when he was a boy a loaf of bread cost only ten cents. He decries the fact that the price of bread today is \$2.00 and concludes somehow that "times are bad." Which of the following correctly explains to your grandfather why his conclusion about the quality of life is bad?
  - A. The higher price of bread today is due to the higher quality of bread today.
  - B. Today, the US consumes a larger fraction of GDP than it did when grandfather was a boy.
  - C. Inflation makes it impossible to compare today's price of bread with the price of bread 50 years ago.
  - D. Today, the ratio of the price of bread to the hourly wage is smaller than it was 50 years ago. \*\*