Wilf Csaplar Jr.   Economics 350   Laboratory #4   Due10/01

Do not write your name on the assignment. Write your name only on the back of this
sheet of paper and staple your answers on the front of this sheet of paper. The computer
work of the laboratory should not have your name anywhere I can easily see it. The name
should only appear on the first page of the Excel file that does not have any answer on it.
It should be e-mailed to me at wcsaplar@bethanywv.edu when the laboratory ends.
Failure to follow these directions will cost you 1 point on the assignment.

**The first part of this assignment will be done as a homework assignment and
handed in at the end of the laboratory with the written part of the answers to the
laboratory. The second half of this will be done during the laboratory.**

Homework questions:
1) (20 points) The monetarist and the neo-classical schools both use MV=PY. Both make
assumptions about the equation, and conclude the same thing about monetary policy.
What is that conclusion and how do they reach it? There are two explanations, one for
each school, that are slightly different. The book does a poor job describing the
monetarists. (In the book's description, it sounds more like the neo-classical school.) For
that school, it is better to rely on either your notes or a macroeconomics textbook.

2) (20 points each) Illustrate the following events on separate 45° (Keynesian cross)
diagrams. Explain the movement(s) of the curve(s).
A) Bush implements a tax cut.
B) The Canadian economy improves.

Laboratory questions:
4A) (10 points) Run a regression of the purchases as a function of price, income, and age.
4B) (10 points) Is there a problem with multicollinearity? How can you tell?
4C) (10 points) Run another regression correcting for the multicollinearity. Explain why
you ran the regression that way.
4D) (10 points) Given your regression results in part C, write the demand function. Is the
good a normal or inferior good? Explain your logic.