

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. Your name should only appear on the first page of the Excel file which does not have any answers 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) (15 points each) Postwar (WWII) cycles are different from prewar cycles. For each difference below, explain why the economy has changed.

- A) Reduced severity.
- B) Continuously rising prices.

2) (25 points) Explain why a drop of GDP can cause an even greater reduction in GDP. How does the accelerator cause a greater reduction? If these effects are too large, then could Marx's theories become correct?

Laboratory questions:

3) (15 points each) For each of the equations below, determine if it is 1) stochastic or deterministic, and 2) behavior, technological, institutional, or an identity. Explain your logic.

- A) $Q_d = I - 2P + u$
- B) $Y = C + I + G + X - M$
- C) $Q = 100K^{1/3}L^{2/3}$