

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. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. The Excel file will be handed in via Moodle. Your name will only appear on a page of the file that has nothing else on it. Failure to follow these directions will cost you 1 point on the assignment and failure to type it will cost you 10 points.

- 1) (30 points) Using the [data](#), which are the same, calculate the 5 different Laspeyres Price Indices (one for each base year) and the Paasche Price Index. Use those to calculate the inflation rate in each year.
- B) (10 points) The inflation rate in the year 2001 varies greatly depending upon your base year. Which good is causing a high inflation in 2001 when 2000, 2003, and 2004 are the base year, but not when 2001 and 2002 are the base year? Explain how you reached this conclusion.
- 2) (10 points) What is *labor hoarding*? Why might it occur?
- 3) (40 points) Use both the labor supply and demand diagram and the IS/LM/FE diagram to illustrate a negative productivity shock. Explain why the curve(s) moved as drawn.
- 4) (10 points) If there is an anticipated increase in the money supply, what would the net effect be upon GDP, interest rates, and inflation? Explain your logic.