Wilf Csaplar Jr.   Economics 350   Homework #4   Due 10/05

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) Use the data points on the Excel file to answer each of the following questions.
A) (3 points) Use the same value method to predict for the next 20 periods.
B) (3 points) Use the same change method to predict for the next 20 periods.
C) (3 points) Use the same percent change method to predict for the next 20 periods.
D) (3 points) Use the 10-period moving average method to predict for the next 20 periods.
E) (3 points) Use the 5-period weighted moving average method to predict for the next 20 periods.
F) (15 points) Plot all five forecasts on the same graph. Make sure it is neat and easy to understand.

2) (10 points each) For each part below, which of the five forecast styles in #1 do you feel is most likely to be the most accurate forecast? Explain your logic.
A) CPI
B) Steeler's average score

3) (20 points) Explain the *efficiency wage* argument for wage rigidity. What might be a problem with taking this microeconomic reality and apply it to macroeconomics?

4) (10 points) If the efficiency wage theory is accurate, then how will the LRAS curve be different from the LRAS curve without the efficiency wage? Explain your logic.

5) (20 points) If menu costs are the reason for price stickiness, then would an industry with few firms or an industry with many firms have stickier prices? Why? Make sure you explain menu costs. Hint: what does elasticity of demand have to do with this?