Wilf Csaplar Jr. Economics 350 Homework #5 Due 10/19

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) (20 points) Use the SRAS/LRAS/AD diagram to explain why the Phillips curve took its shape from 1960 to 1969.

2) (20 points) Illustrate an increase in expected inflation on the augmented short-run Phillips curve and long-run Phillips curve diagram. Explain why the curve(s) moved as drawn.

3) (20 points) Use the augmented short-run Phillips curve and long-run Phillips curve diagram to explain why anticipated changes in the money supply have no real effects. Explain why the curve(s) moved as drawn.

The questions below refer to the spreadsheet "lab" on the Excel file "Week5.xls"

4) (30 points) Run a regression with purchases as a function of price, and income. Write the equation which results from your regression. Is this a good predictor of the purchases made? Explain your logic.

5) (5 points each) Use your answer to Questions #2 to answer these questions.
A) Is this a normal good? Explain your logic.
B) Using the equation you feel is best, how much do you predict a 25 year old person earning $40,000 would buy if the price was $10/unit? Explain your logic.