

The Last One!

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) (15 points) What are the *intermediate targets*? Why can't the central bank control them precisely?

2) (20 points) Use the money supply/money demand diagram to prove that the central bank cannot control both money supply and interest rates at the same time.

3) (25 points) If you were to run the central bank, would you use rules or discretion in determining monetary policy? Explain your logic using at least two different reasons.

The question below refers to the completion of the file created last week for [Homework #8](#).

4) (40 points) Run a regression to estimate the GDP as a function of time. Use the results to create a column which is called trend. Use that to create the column "normal." Now use this information to predict GDP up through the third quarter of 2005. (Since I am not "normal," how can I ask you to do something "normal"?)