

Write your name on the cover of the test booklet and on an otherwise blank page of the Excel file and nowhere else. Enclose this sheet with the booklet. Upload the Excel file to Moodle.

Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 170 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 14-point question should take 7 minutes; however, you can take the full two hours.

1) Answer ALL THREE parts on the [Excel file](#).

A) (8 points) Use the data on the Excel page called "Inflation" to calculate the **Laspeyres Price Index** for every year using **2003** as the base year.

B) (5 points) Use your answer to Part A to calculate the inflation rate in each year.

C) (8 points) Use the data on the Excel page called "Inflation" to calculate the **Paasche Price Index** for every year using **2003** as the base year.

2) (15 points) The data on the [Excel page](#) called "Steelers" has their actual scores for this season. Use that data to predict the Steelers' score for weeks 5 - 16 using the *same value, same change, same percent change (same ratio), 4-period moving average, AND 3-period weighted moving average*. Do ALL five predictions for the remaining weeks.

3) (16 points) Answer EITHER Part A OR Part B.

A) Use the *Mis-perceptions Theory* to explain $Y = Y_{FE} + b(P - P^e)$. What does that mean about the SRAS curve's shape and movements? Explain your logic.

B) Which explanation of rigid wages do you feel is the most accurate? Explain that theory of rigid wages.

4) (24 points) Answer EITHER Part A OR Part B.

A) Illustrate the short-run effects of a negative productivity shock on the LRAS/SRAS/AD diagram for the Keynesian Model. Explain why the curve(s) moved as drawn. Is the economy in the long-run equilibrium after the short-run changes? Explain your logic.

B) Use the IS/LM/FE diagram for a Keynesian liquidity trap to explain what Keynesian economists feel should happen to correct high unemployment.

5) (24 points) Answer EITHER Part A OR Part B.

A) Illustrate the short-run effects of an increase in the money supply of 5% coupled with an expected increase of the money supply of 10% on the LRAS/SRAS/AD diagram for the Neo-Classical Model. Explain why the curve(s) moved as drawn. Is the economy in the long-run equilibrium after the short-run changes? Explain your logic.

B) Use the IS/LM/FE diagram for the Neo-Classical Model to explain the neutrality of money.