

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.

Questions #1 - 3 should be done before the laboratory.

- 1) (5 points) Which part of the department's web page, <http://www.bethanywv.edu/economics/> do you think will be most helpful? Why? Is anything missing that you would like to see?
- 2) (10 points each) What is meant by each term below? Why is it important for a variable to have that quality?
 - A) Economic Significance
 - B) Timing
- 3) (20 points) Suppose that Nonagricultural Employment was decreasing and then reversed itself for one month. What is the probability that the economy has changed? Explain your logic and state how you know whether the economy was changing from a recession to boom or vice versa.
- 4) Suppose consumption is 80% of the average of this year's and last year's GDP. Investment is 20% of this year's GDP. Government spending is \$700. Exports are \$600. Imports are 10% of this year's GDP.
 - A) (5 points) Write the equations I described above.
 - B) (20 points) Find the current level of GDP as a function of government spending and lagged variables. Show all work.
 - C) (20 points) Use Excel to fill in a table which will simulate GDP over a 40-year period and assuming that the previous GDP was \$9800. Run the simulation again with a one-time increase in government spending to \$800. Repeat with a permanent increase in government spending to \$800. Show all three simulations on the same sheet.
 - D) (10 points) What are the short-run government spending multiplier, the long-run government spending multiplier for a temporary increase in government spending, and the long-run government spending multiplier for a permanent increase in government spending? How did you get them?