Wilf Csaplar Jr.   Economics 350   Laboratory #9   Due 11/29
                                        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.

All questions, except #1, should be done before the laboratory.

Question #1 refers to the completion of the file created last week for Homework #8.
1) (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 column and the columns created in lab #8, to create the column "normal." Now use this information to predict GDP up through the third quarter of 2005.

2) (15 points) Explain how the discount rate is supposed to affect the money supply.

3) (35 points) Use the real money supply/real money demand diagram and the supply and demand diagram for dollars on the foreign exchange market to show why the Fed can only control the money supply or interest rates or the exchange rate, but not any pair of them.

4) (10 points) What are the advantages of using *rules* rather than *discretion* when enacting monetary policy?