Wilf Csaplar Jr. Economics 350 Homework #3 Due 09/24

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Turn in the Excel file via Moodle with your name on an otherwise blank page. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) Use the page on the Excel Sheet entitled *Lab* to answer this question.
A) (20 points) Calculate the Laspeyres CPI for each year using every year as a base year. In other words, you will have 36 entries – six years with each of the six base years.
B) (5 points) Calculate the inflation for each of the five years which it can be calculated for.
C) (10 points) Compare your results in Part B for the base years of 2003 and 2004. Why do you think they have such different results? Explain your logic.
D) (10 points) Calculate the Paasche price index for each year with 2002 as the base year. Calculate the inflation rate using this data. (Note the video has year 2000 as the base year for the Paasche price index.)

2A) (30 points) Use the IS/LM/FE diagram and the SRAS/LRAS/AD diagram to illustrate a positive supply shock. Explain why the curves moved as drawn.
B) (10 points) What happens to interest rates, inflation, real wages, and MPN? Explain the economic reason for those changes.
C) (5 points) For one of those variables in Part B, the variable behaves the opposite of what the theory predicts. How do the theorists explain this apparent contradiction?

3) (10 points) How do we measure the technology variable? Why do we measure it that way?