

Write your name on the cover of the test booklet and nowhere else. Enclose this sheet with the booklet. 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. The test has 100 points (to be scaled up to 170 points) and is scheduled to take 50 minutes (but you can take the full 2 hours.) Therefore, expect to spend 1 minute for every 2 points. For example, a 10-point question should take 5 minutes.

**Seniors who have not done the “Senior Audit” with me should see me before they leave class today.**

1) (6 points each) This question refers to the [Excel © file's](#) page called “CPI.” Do ALL three parts.

- A) What year would be a bad year to use as a base year? Explain your logic.
- B) Find the CPI and inflation rate using the Laspeyres Price Index with 2002 as a base year.
- C) Find the CPI and inflation rate using the Paasche Price Index with 2002 as a base year.

2) (16 points) Use the page on the [Excel © file](#) called “Steelers” to answer this question. Use the data to do the following forecasts: Same Value, Same Change, Same Percentage Change, Four Period Moving Average, and Three Period Weighted Moving Average to predict their score through the rest of the season.

3) (10 points) For EITHER the variable in Part A OR the variable in Part B, which method of forecasting used in Question #2 would be best? Explain your logic.

- A) Price Level
- B) Your grade on the final exam.

4) (16 points) Answer EITHER Part A OR Part B.

- A) Which argument for sticky wages or prices do you feel is the strongest? Explain that argument. Why do you feel that argument is particularly strong?
- B) The Neo-Keynesian school predicts one variable wrong. Without using a diagram, explain how they reach their conclusion. How do they explain the contradiction?

5) (20 points) Answer EITHER Part A OR Part B.

- A) The Neo-Classical school feels that expansionary monetary policy is unlikely to work. Use IS/LM/FE diagram to prove their point.
- B) The Neo-Classical school predicts one variable wrong. Use an appropriate diagram to explain how they reach their conclusion. Do NOT worry about explaining the contradiction.

6) (20 points) Answer EITHER Part A OR Part B.

- A) Why do Neo-Classical economists feel that we should not do counter-cyclical fiscal policy? Use the LRAS/SRAS/AD diagram in your explanation.
- B) Draw the *efficiency wage* diagram. Use it to explain why wages may be sticky. Do you think it is an accurate theory? Explain your logic.