Wilfrid W. Csaplar Jr., Ph.D.   Economics 350   Exam #2 Make Up   2010/10/7

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 "Patriots" 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) Population of the USA.
B) Your average points scored per game.

4) (20 points) Answer EITHER Part A OR Part B.
A) The Neo-Keynesian school feels that expansionary monetary policy is will not work under certain
circumstances. Use an appropriate diagram to prove their point
B) The Neo-Keynesian school predicts one variable wrong. Using an appropriate diagram, explain how
they reach their conclusion. Do NOT worry about how do they explain the contradiction.

5) (16 points) Answer EITHER Part A OR Part B.
A) Draw the Neo-Classical LRAS/SRAS/AD diagram for a 6% increase in government spending, but
people were expecting a 8% increase in government spending. Explain why the curve(s) moved as
drawn. What happens to GDP and the price level?
B) The Neo-Classical school predicts one variable wrong. WITHOUT using any diagram to explain how
they reach their conclusion. How do they explain the contradiction?

6) (20 points) Answer EITHER Part A OR Part B.
A) Why do Neo-Classical economists feel that monetary policy normally does not work? Use the
LRAS/SRAS/AD diagram in your explanation.
B) Draw the real MS/MD diagram with a liquidity trap. Use it to explain why expansionary may not
work.