Wilf Csaplar Jr.   Economics 350   Homework #10 (Lab #9)   Due 11/18
The last one!
Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up 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 sheet. 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.

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

This question refers to the spreadsheet "Lab" on the Excel file which you used last week.
1) (40 points) Run a regression to estimate the Sales 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 Sales up through the third quarter of 2014.

2) (10 points) Do you think the Fed should be using a rule or discretion now? Explain your logic.

3) (20 points) Explain why the central bank cannot target both interest rates and the money supply, using the real money supply/demand diagram.

4) (20 points) Suppose the government spending is $500, transfers are $1000 - 0.2*GDP, interest payments on the debt are $200, and the tax revenue is 30% of GDP. If the GDP is $3000 and full-employment GDP is $3500, then how much are the government deficit/surplus, the full-employment deficit/surplus, and the primary deficit/surplus? Show all work and briefly explain what you did. Do you think the government's fiscal policy is a good one or not? Explain your logic.

5) (10 points) The Fed has complained for a long time that they have too many goals. How would reducing the goals of the Federal Reserve help or hurt their credibility when fighting inflation? Explain your logic.