Wilf Csaplar Jr. Economics 350 Homework #5 **Due Wednesday 10/1**

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 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.

1) Use the page on the Excel Sheet entitled *Lab* to answer this question.
A) (5 points) Use the *same value* method to forecast until the end of the season.
B) (5 points) Use the *same change* method to forecast until the end of the season.
C) (5 points) Use the *same percent change* method to forecast until the end of the season.
D) (5 points) Use the *4-period moving average* method to forecast until the end of the season.
E) (5 points) Use the *4-period weighted moving average* method to forecast until the end of the season.
F) (10 points) Which method would be best for forecasting GDP? Explain your logic.
G) (10 points) Which method would be best for forecasting inflation? Explain your logic.

2) (20 points) Draw the SRAS/LRAS/AD diagram for the *Misperceptions Theory*. Illustrate an increase in the money supply of 3% when people expected the money supply to grow 1%. Explain why the curve(s) moved as drawn. What happens to GDP and the price level?

3) (10 points) Explain the shape of the SRAS curve in the *Misperceptions Theory*.

4) (20 points) Use the real MS/real MD diagram to prove the neutrality of money. Explain why the curve(s) moved and why the short-run impact may not occur.

5) (5 points) Explain how reversed causation might lead to money appearing to be non-neutral even if it is neutral.