

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 10 points. Turn in the Excel file via Canvas. Place your name on an otherwise blank page of the Excel file. 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) (10 points) Explain why the AD curve slopes down.
  
- 2) (40 points) Draw SRAS/LRAS/AD diagram, IS/LM/FE and real MS/MD diagram. Illustrate the effects of an increase in the discount rate. Explain why the curves moved as drawn. What happens to the real money supply, the real interest rate, real GDP, and the price level?
  
- 3) Use the page on the [Excel Sheet \(Lab3\)](#), tab "Lab" to answer this question.
  - A) (15 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 (2011 - 2016) 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 2012 and 2015. Why do you think they have such different results? Explain your logic in a box typed in on the Excel file.
  - D) (10 points) Calculate the Paasche price index for each year with 2013 as the base year. Calculate the inflation rate using this data.
  - E) (10 points) What is the PCE for every year using 2013 as the base year? Calculate the inflation rate for every year.