

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. 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.

1A) (45 points) Draw the SRAS/LRAS/AD diagram, IS/LM/FE diagram, and the production function diagram for the Neo-Keynesian model. Illustrate their explanation of the recession part of the business cycle. Explain why the curves moved as drawn. What happens to GDP, inflation, interest rates, unemployment rate, and the marginal productivity of labor?

1B) (5 points) In Part A, one of the results contradicts reality. Which variable is wrong? How do the Neo-Keynesians explain the contradiction?

2) (25 points) Use the page on the [Excel Sheet](#) entitled “Question 2” to answer this question. Run a regression to predict quantity sold. Would you consider the results to be good results? Explain your logic. Which variable(s) would say are significant? Explain your logic. How much would you expect to sell if the price is \$15/unit and the income is \$60,000? Show all work.

3) (25 points) Use the pages on the [Excel Sheet](#) entitled “Question 3” to answer this question. This is actual data from my ECON 162 class an earlier semester. Run a regression to predict the student’s grade on the test. Would you consider the results to be good results? Explain your logic. How much would you expect your test grade to go down if you missed one class? Show all work. Why do you think the Adj R<sup>2</sup> and Significance of F take the values they do? In other words, in the real world, what determines the grade and how does that relate to those values?