Wilfrid W. Csaplar Jr., Ph.D. Economics 350 Exam #2 2023/2/24

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 Canvas. 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.

1) (12 points) Use the page on the Excel Sheet (Exam2), tab "forecast" to answer this question. These are the actual winning margins of Bethany's Women's Soccer team. Forecast the rest of the next 7 games using the same value method. Forecast the rest of the season using the same change method, the same percent change method, the 6-period moving average method, and the 4-period weighted moving average method

2) (24 points) Use the page on the Excel Sheet (Exam2), tab "CPI" to answer this question. Calculate the Laspeyres CPI for each year using 2020 as a base year. Calculate the inflation for each of the years which it can be calculated for. Calculate the Paasche Price Index for each year with 2020 as the base year. Calculate the inflation rate using this data. Calculate the PCE Index for every year using 2020 as the base year. Calculate the inflation rate for every year. Which year would be a particularly bad year to use as a base year? Explain your logic.

3) (8 points) There are at least two causes of real wage rigidity. **Without** drawing a graph, explain one of the causes of real wage rigidity.

4) (10 points) Answer ONE Of the following parts.
A) Write the formula for the Solow residual. Explain why it is an indirect measure of productivity from technology.
B) Why does the Neo-Classical School feel that counter-cyclical fiscal policy is not a good idea.
C) Why type of shock does the Neo-Classical School feel is the cause of the business cycle? Give an example of that.

5) (16 points) Answer EITHER Part A OR Part B.
A) Draw the Neo-Classical (Misperceptions Theory) LRAS/SRAS/AD diagram. Illustrate a 5% decrease in the money supply when people expect a 3% decrease in the money supply. Explain why the curve(s) moved as drawn. What happens to GDP, inflation, and the unemployment rate?
B) Draw the Neo-Classical (Misperceptions Theory) LRAS/SRAS/AD diagram. Illustrate a 2% increase in the government spending when people expect a 3% increase in government spending. Explain why the curve(s) moved as drawn. What happens to GDP, inflation, and the unemployment rate?

6) (30 points) Answer EITHER Part A OR Part B.
A) In October of 2009, the unemployment rate in the USA was 10%. Draw the IS/LM/FE diagram for that situation. Explain how your graph shows 10% unemployment. Draw the real MS/real MD diagram If the economy was left alone, how would the curves move to get the economy back to full employment? Explain why the curve(s) moved as drawn. What happens to the unemployment rate, the real interest rate, and the real GDP?
B) Draw the IS/LM/FE diagram and the real MS/real MD diagram. Illustrate an increase in the money supply assuming that the neutrality of money holds. Explain why the curve(s) moved as drawn. What happens to the unemployment rate, the real interest rate, and the real GDP?