Wilf Csaplar Jr. Economics 350 Homework #3 **Due Friday 1/30**

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 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Turn in the Excel file via Canvas. Place your name on an otherwise blank page of the Excel file. Failure to type this assignment 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 for #1 should be done before class and turned in then. You may want to draw an unrequired graph for one of the questions.

1) Use the page on the Excel Sheet (Lab3), tab "Lab" to answer this question.
A) (10 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) (5 points) Calculate the Paasche price index for each year with 2013 as the base year. Calculate the inflation rate using this data.
E) (5 points) Calculate the PCE Index for every year using 2013 as the base year. Calculate the inflation rate for every year.

2) (25 points) Draw the IS/LM/FE and real MS/real MD graphs. Illustrate the effects of President Trump's tax cut on the graphs. Explain why the curves moved as drawn. What happens to GDP, unemployment rate, real interest rate, and real money supply? https://budgetlab.yale.edu/research/combined-distributional-effects-one-big-beautiful-bill-act-and-tariffs-0 This article has the combined effects of the tariffs and the One Big Beautiful Bill, especially the tax cuts.

3) (25 points) Draw the IS/LM/FE and real MS/real MD graphs. Illustrate the effects of an increase in the population. Explain why the curves moved as drawn. What happens to GDP, unemployment rate, real interest rate, and real money supply?

4) (15 points) Draw the IS/LM/FE diagram. Use it to show the neutrality of money. Explain why the curve(s) moved as drawn and explain why it is called, "neuatrality".