

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 Basketball team. Forecast the rest of the next 6 games using the same value method, the same change method, the same percent change method, the 8-period moving average method, and the 3-period weighted moving average method
- 2) (20 points) Use the page on the Excel Sheet ([Exam2](#)), tab "CPI" to answer this question. Calculate the Laspeyres CPI for each year using 2022 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 2022 as the base year. Calculate the inflation rate using this data. Calculate the PCE Index for every year using 2022 as the base year. Calculate the inflation rate for every year. Would 2023 be a good or a bad year to use as a base year? Explain your logic.
- 3) (8 points) Which of the methods of forecasting in Question #1 would be best for forecasting EITHER the variable in Part A OR the variable in Part B. Explain your logic.
 - A) The unemployment rate.
 - B) The price level.
- 4) (18 points) Answer EITHER Part A OR Part B.
 - A) Draw the SRAS/LRAS/AD diagram in the Neo-Classical Model. Illustrate the effects of a 10% increase in the money supply with people expecting a 8% increase. Explain why the curve(s) moved as drawn. What happens to GDP, inflation, and the unemployment rate?
 - B) Draw the SRAS/LRAS/AD diagram in the Neo-Classical Model. Illustrate the effects of a 12% increase in government spending with people expecting a 15% increase. Explain why the curve(s) moved as drawn. What happens to GDP, inflation, and the unemployment rate?
- 5) (18 points) Answer EITHER Part A OR Part B.
 - A) What type of shock does the Neo-Classical School feel is the most common cause of the business cycle? With that type of shock, what is the cyclicity (procyclical or counter-cyclical) of inflation? Why does it have that cyclicity? How do they explain that inflation is generally considered to not have that type of cyclicity?
 - B) Explain why the SRAS curve in the Misperceptions Theory slopes up. Explain why the neutrality of money occurs without using a graph.
- 6) (24 points) Answer EITHER Part A OR Part B.
 - A) Draw the IS/LM/FE diagram for an economy in a recessionary gap and the real MS/real MD diagram. Illustrate how the economy would get back to full employment if left alone. Explain why the curve(s) moved as drawn. What happens to GDP, real MS, and real interest rates?
 - B) Draw the IS/LM/FE diagram for an economy in a recessionary gap and the real MS/real MD diagram. Illustrate how the economy would get back to full employment if the central bank did counter-cyclical monetary policy. Explain why the curve(s) moved as drawn. What happens to GDP, real MS, and real interest rates?