

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. The computer work of the laboratory should not have your name anywhere I can easily see it. The name should only appear on the first page of the Excel file that does not have any answer on it. It should be e-mailed to me at wcsaplar@bethanywv.edu when the laboratory ends. Failure to follow these directions will cost you 1 point on the assignment.

The first part of this assignment will be done as a homework assignment and handed in at the end of the laboratory with the written part of the answers to the laboratory. The second half of this will be done during the laboratory.

Homework questions:

- 1) (10 points) Why do the left sides of the accounts in table 3.1 equal the right sides of the same accounts?
- 2) (10 points) What does the 2216 in row 1, column 2, of table 3.4 mean? Make sure you are specific about the exact dollar value.
- 3) (25 points) Draw two Lorenz Curves that cross and have approximately the same Gini Coefficient. Explain two limitations of the Gini Coefficient as a measure of how well society is doing.

Laboratory questions:

- 4) (10 points) Calculate the inflation rate using Lespeyres index for your data set with 1998 as the base year.
- 5) (10 points) Calculate the inflation rate over time using the Paasche index for your data set.
- 6) (15 points) Plot your answers to parts 1 and 2 on the same graph.
- 7) (20 points) We said that a Lespeyres price index over estimates inflation. On a sheet of paper that is attached to the homework assignment, explain the economic reason why this occurs.