

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. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. The Excel file will be handed in via Moodle. 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 on the assignment and failure to type it will cost you 10 points.

1) (5 points) Which part of the department's web page, <http://www.bethanywv.edu/economics/> do you think will be most helpful? Why? Is anything missing that you would like to see?

2) Suppose consumption is 90% of the average of this year's and last year's GDP. Investment is 10% of this year's GDP. Government spending is \$600. Exports are \$300. Imports are 15% of this year's GDP.

A) (5 points) Write the equations I described above.

B) (20 points) Find the current level of GDP as a function of government spending and lagged variables. Show all work.

C) (20 points) Use Excel to fill in a table which will simulate GDP over time. Run the simulation again with a one-time increase in government spending to \$660. Repeat with a permanent increase in government spending to \$660.

D) (10 points) What are the short-run government spending multiplier, the long-run government spending multiplier for a temporary increase in government spending, and the long-run government spending multiplier for a permanent increase in government spending? How did you get them?

3) (20 points) The Conference Board classifies *Index of Consumer Expectations* as a leading economic indicator but the AIER does not. Which do you agree with? Explain your logic.

4) (20 points) Define both *Conformity* and *Smoothness*. Briefly explain why they are important to determining if a variable is useful in forecasting and how they are different.