

## ECON 3010 Intermediate Macroeconomic Theory

### Homework #9

Due: Thursday, December 6, 2018

Ten *LaunchPad* multiple-choice questions. You have unlimited attempts to complete the assignment and they are due at midnight on the date above.

**The written questions below are due at the beginning of class and should be typed.**

1. Chapter 14. Problems and Applications #5.
2. Use FRED (<http://research.stlouisfed.org/fred2/>) to collect annual data on unemployment and inflation in the United States. Use Excel to create a scatter plot of the data from 1960-2017. Draw the best fitting regression line to the data. What is the  $R^2$  (goodness-of-fit) value and why is the fit so poor? (HINT: Excel will automatically add a linear trend with the best-fitting equation and  $R^2$  value.)
3. The natural rate of unemployment is thought to be in the 4-5% range and the inflation target is 2%. Use the U.S. Phillips curve data to pick three episodes since 1960 where the U.S. economy deviated significantly from full employment and the inflation target. Then describe the likely cause of each deviation, making sure to explain whether you think the episode was caused by an aggregate demand and/or an aggregate supply shock. Also, make sure to describe any fiscal or monetary response. In some cases, there may not be a single well-established explanation so it will be important to carefully defend your answer.