

## Assignment #10,

This assignment is due in class on 4/17. Start by reading the paper by McCandless and Weber that I discussed in class. (I handed it out in class and I have also posted a copy on the web site.) The questions ask you to explore the Quantity Theory using the data I have posted on the web site (these data were assembled by Warren Weber, although they are not the sample used in the paper).

1. Calculate the ratio of money (M2) in 1978 to money in 1950 for each country. Do the same for the price level. Do a scatter plot of the factor increase in the price level in each country against the factor increase in money for the corresponding country (use a log scale). Is the scatter plot consistent with the Quantity Theory?
2. Do the same type of scatter plot as above but for the factor increase in money and prices from 1977 to 1978. Do it again for 1968 to 1978. How do your findings relate to the Quantity Theory?
3. Now do the same 3 scatter plots as above, but replacing the price level with output (real GDP). What do your findings imply for the Quantity Theory?