Instructions: Do the reading, then go through the questions, think about them, referring back to the reading when necessary, and write short answers (ranging between 1-2 sentences and couple paragraphs) for each. (If you feel you addressed one question in an answer to another, feel free just to refer to that.) Turn in your answers on the day the reading is due. You may discuss these questions with others but all answers should be written in your words (though you may use occasional quotes).

To be turned in:

1. What are your overall thoughts?

2. Mathematically derive the data in Figure 6-2.

3. Assess the statement: *This was a very bad forecast... They assigned only a 3% chance to the economy's shrinking...* regarding Figure 6-3. Do you agree that this was a very bad forecast?

4. Analyze the statement: *There is almost no chance that the economists have simply been unlucky; they fundamentally overstate the reliability of their predictions*, using the data from Figure 6-4.

5. What, if any, is the difference in the correctness of the predictions of Hatzius regarding the recession versus the earthquake prediction by Giuliani in the previous chapter?

6. If the participants in the Survey of Professional Forecasters were more accurate than those of the Blue Chip panel, does the Blue Chip study indicate that you should trust more an economist who predicted the last recession correctly?

Not be turned in: (you don't need to write up, but think about if you have time, and we may discuss in class)

7. Analyze the statement: *Things like Google search traffic patterns [...] can serve as leading indicators for economic data series like unemployment.*

8. Do prediction markets sound like a good idea?