Wilf Csaplar Jr.   Economics 350   Homework #6   Due 10/27

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 spreadsheets will be turned in via an attachment to an e-mail sent to wcsaplar@bethanywv.edu. The only place your name should appear on the electronic file is on a page with nothing else on it. Failure to follow these directions will cost you 1 point on the assignment.

All of these questions refer to the spreadsheet "HW" on the Excel file "10-22.xls".

1) (25 points) Run the regression to determine sales as a function of time. Make sure you do the appropriate calculations before you run the regression. What is the equation you estimated from this data?

2) (35 points) Run a regression to determine demand as a function of price, income, and age. Test to see if you have a problem with multi-colinearity. If you do, then run another regression leaving out the problem variable. Explain why you left out that variable rather than the other variable.

3) (20 points) According to our supplementary textbook, *M1* is a leading indicator for AIER but not for The Conference Board. Explain why it might be a leading indicator. Explain why it may not be a good indicator. Would you use it as a leading indicator? Why or why not?

4) (20 points) According to our supplementary textbook, *Index of Consumer Expectations* is not a leading indicator for AIER but is for The Conference Board. Explain why it might be a leading indicator. Explain why it may not be a good indicator. Would you use it as a leading indicator? Why or why not?