

The last one!

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Turn in the Excel file via Canvas with your name on an otherwise blank sheet. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

The first question refers to the spreadsheet “Lab” on the Excel file “[lab8.xlsx](#)” from last week’s lab. Each date is for the two-month period which starts then. So, “Jan. 2002” is for January and February of 2002.

1) (40 points) Run a regression to estimate the Sales as a function of Time. Use the results to create a column which is called trend. Use that column and the columns created in Lab #8, to create the column "normal." Now use this information to predict Sales up through the end of 2020.

2) (15 points) Remember “explain this equation” questions from ECON 302? Well, explain the following equation, including both occurrences of  $cu$  and determining which one has the bigger

impact and why. 
$$M = \left( \frac{cu + 1}{cu + res} \right) BASE$$

3) (15 points each) For each of the following, explain how the event affects the monetary base, the money multiplier and the money supply. Explain your logic.

A) The Fed sells government bonds.

B) The discount rate is increased.

4) (15 points) Where is currency on the balance sheet of the Fed and the balance sheet of the banks? Explain both answers.