

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Turn in the Excel file via Canvas. Place your name on an otherwise blank page of the Excel file. Failure to type this assignment 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.

All questions except for Questions #1 & #2 should be done before class.

1) (25 points) Use the data in the sheet Lab 1 on the Excel sheet [lab7.xlsx](#) to run a regression to predict sales as a function of income and price. Do the quick checks for heteroscedasticity and autocorrelation. State what both results are and why they are or are not problem. Explain how you know you had that problem. **If that problem is autocorrelation**, then run a regression which would adjust for that problem. Explain what you did. **If the problem is heteroscedasticity**, then do the formal test for it and explain what you did.

2) (25 points) Use the data in the sheet Lab 2 on the Excel sheet [lab7.xlsx](#) to run a regression to predict sales as a function of income and price. Do the quick checks for heteroscedasticity and autocorrelation. State what both results are and why they are or are not problem. Explain how you know you had that problem. **If that problem is autocorrelation**, then run a regression which would adjust for that problem. Explain what you did. **If the problem is heteroscedasticity**, then do the formal test for it and explain what you did.

3) (10 points) Assuming the predictions about GDP growth and inflation in the article https://www.allianz.com/en/press/news/studies/220125_Allianz-Economic-Outlook-strong-but-uneven-growth.html are correct, are they predicting a demand shock or a supply shock? Explain your logic.

4) (20 points) The Neo-Keynesians' Model predicts one variable wrong. Which variable is that? Use a graph which shows their prediction. Explain how it shows their conclusions. How do they explain the contradiction?

5) (20 points) Suppose that the expected inflation rate is 3% and the unemployment rate is 5%. Draw the SRPC/LRPC diagram. Suppose that the money supply increases 6% and people change their expectations to having the money supply increase 7%. Show the impact of those two events on the graph. Explain why the curve(s) moved as drawn. Find the initial point and the ending point. Explain how you found those points.