

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) (20 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 a 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) (20 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 a 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) (15 points) Look at the graph of Lebanon's inflation rate on the link below. Do you think they have been using the gradual or cold turkey approach? Explain your logic. Do you think they should change their approach? Explain your logic.

<https://tradingeconomics.com/lebanon/inflation-cpi>

4) (15 points) If you were in the government and wanted to move the LRPC to the left. How would you achieve that? Explain why you would choose that method.

5) (15 points) Explain how TIP could be used to decrease inflation. How could it backfire and actually increase inflation?

6) (15 points) According to XE.com, the US\$ is worth approximately 15,000 LBP (Lebanese pounds). According to their webpage, Wendy's "Dave's Triple" costs \$7.50 each. Wendy's does not have any stores in Lebanon. If they did, how much should they charge for a Dave's Triple if the real exchange rate,  $e = .5$  Lebanese burgers/US Burger? Show all work and briefly explain why you did what you did.

<https://www.xe.com/currencyconverter/convert/?Amount=1&From=USD&To=LBP>

<https://order.wendys.com/category/100>