Wilf Csaplar Jr. Economics 280 Homework #4 Due 2/23

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. Failure to follow these directions will cost you 1 point on the assignment.

The part of Chapter 4 which we will be covering is: Sections 1, 2, and the parts of sections 3 through 5 that relate to how the data is to be interpreted (but not the parts that relate to how they are calculated). I will provide you a table like table 4-7 on page 161 (or question #4 below) and ask you to interpret it. I will not require you to know the math behind how the numbers were gotten, nor will I require you to understand the problems with using the numbers. The people who will be responsible for coming up with the numbers will be people with an MBA. Therefore, that topic should be in graduate school. However, you may be given the results and have somebody tell you what they mean. You should be able to know if they are pulling the wool over your eyes. So you should know how to interpret the numbers.

1) (15 points) The textbook for my *Economics 302* class, has a graph that has the price level on the vertical axis and GDP on the horizontal axis. It then plots the points for 50 years and calls it the *Aggregate Supply* curve. Estimating the aggregate supply curve has the same problems that estimating the demand for a firm. Explain the problem with what the other textbook did.

2) (15 points) Political polling has many of the same problems as consumer surveys. The last time that Jesse Helms ran for the Senate from North Carolina (1996?), his opponent was African American. The polls had one of them winning, but the other one won. What do you think the problem was with the polls? Explain your logic.

3) (15 points) Places like Wendy's and McDonald's will have items on a "limited time basis." What is the reason for the limit on the time? Explain your logic.

4) I created some data for the demand of oranges based upon the price of oranges, the price of apples, and income. I ran a regression on the data. The results are:

Regression Statistics							
Multiple R	0.783557						
R Square	0.613962						
Adjusted R Square	0.498151						
Standard Error	5.129558						
Observations	14						
Analysis of Variance							
	df	***Sum of S***	***Mean Sq***	***F***	***Significance F***		
Regression	3	418.4773	139.4924	5.301402	0.019099		
Residual	10	263.1237	26.31237				
Total	13	681.601					
	Coefficien	***Standard***	***t Statistic***	***P-value***	***Lower 95.***	***Upper 95.00***	
Intercept	7.94856	8.511138	0.933901	0.367378	-11.0154	26.91256	
Poranges	-24.8104	6.311741	-3.93083	0.001723	-38.8738	-10.747	
Papples	27.4674	13.9137	1.974126	0.070004	-3.53425	58.46904	
Income	0.000436	0.000614	0.70966	0.490449	-0.00093	0.001805	

A) (20 points) What is the predicted equation for the demand function of oranges? How accurate is the formula? Explain your logic.
B) (20 points) Which variables are significant and which are not? How can you tell?
C) (15 points) Given the statistics, do you feel apples and oranges are substitutes, complements, likely substitutes, likely complements, or too difficult to tell? Explain your logic.