

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 #1 & #2 should be done before class. You will hand all of the answers in together.

1) (25 points) Use the page on the [Excel Sheet](#) entitled “Question_1” to answer this question. Run a regression to predict quantity sold. Would you consider the results to be good results? Explain your logic. Which variable(s) would say are significant? Explain your logic. How much would you expect to sell if the price is \$15/unit and the income is \$60,000? Show all work.

2) (25 points) Use the pages on the [Excel Sheet](#) entitled “Question_2” to answer this question. This is actual data from my ECON 162 class an earlier semester. Run a regression to predict the students’ grades on the tests. Would you consider the results to be good results? Explain your logic. How much would you expect your test grade to go down if you missed one class? Show all work. Why do you think the Adj R and Significance of F take the values they do? In other words, in the real world, what determines the grade and how does that relate to those values?

3) (20 points) Draw the diagram which has effort on one axis and wage on the other axis. Use it to explain why firms may pay more than the market rate. As described, that is a microeconomics argument. Explain how it can apply to macroeconomics. In-other-words, how can all firms pay more than the market?

4) (10 points each) For each part, explain how it can cause nominal price rigidity, a.k.a. stickiness. Answer each part in separate paragraphs without a graph.

- A) Multi-year contracts.
- B) Kinked demand curve
- C) Menu costs.