

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 Moodle 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.

This question refers to the spreadsheet “Lab” on the Excel file “[lab8.xlsx](#).” Use the correct answer to the previous homework assignment to answer this question.

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 2017.

2) (15 points each) For each of the following, determine how it affects the monetary base, the money multiplier, and the money supply. Explain the economics of why those effects occur.

A) The Fed raises the required reserve ratio. (By the way, my information about Russia’s required reserve ratio was out of date. It is now 7% on foreign currency deposits and 0% on the rest.)

B) The citizens decide to increase their currency-deposit ratio.

C) The Fed lowers the discount rate.

3) (5 points each) For each of the following, tell me which side of the Fed’s balance sheet it is on and why it is on that side.

A) Government securities.

B) Currency in circulation.

C) Bank reserves.