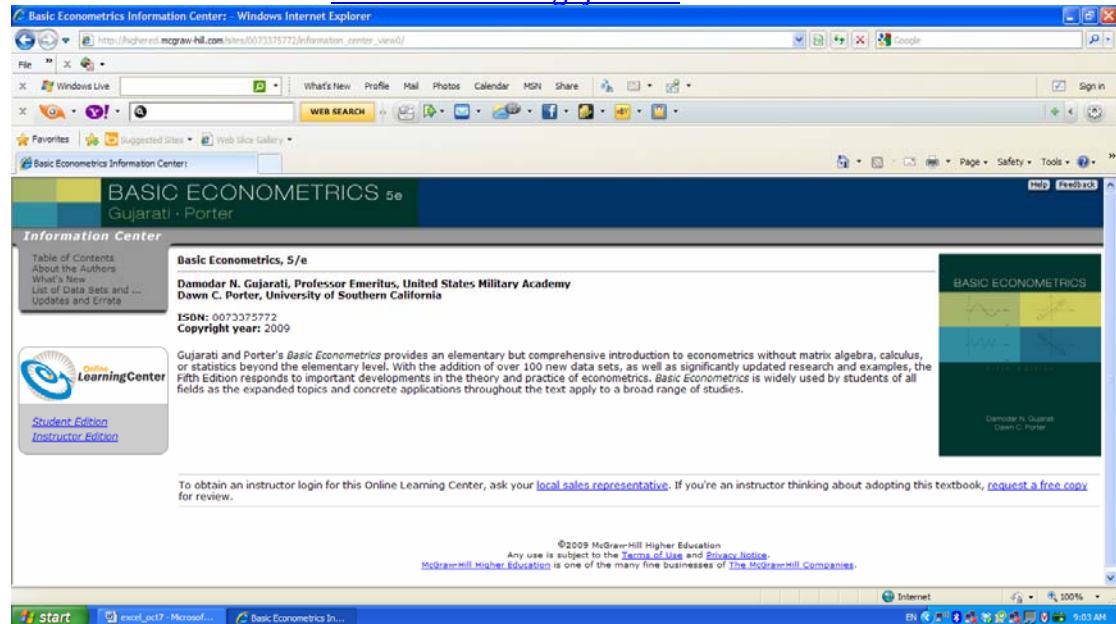
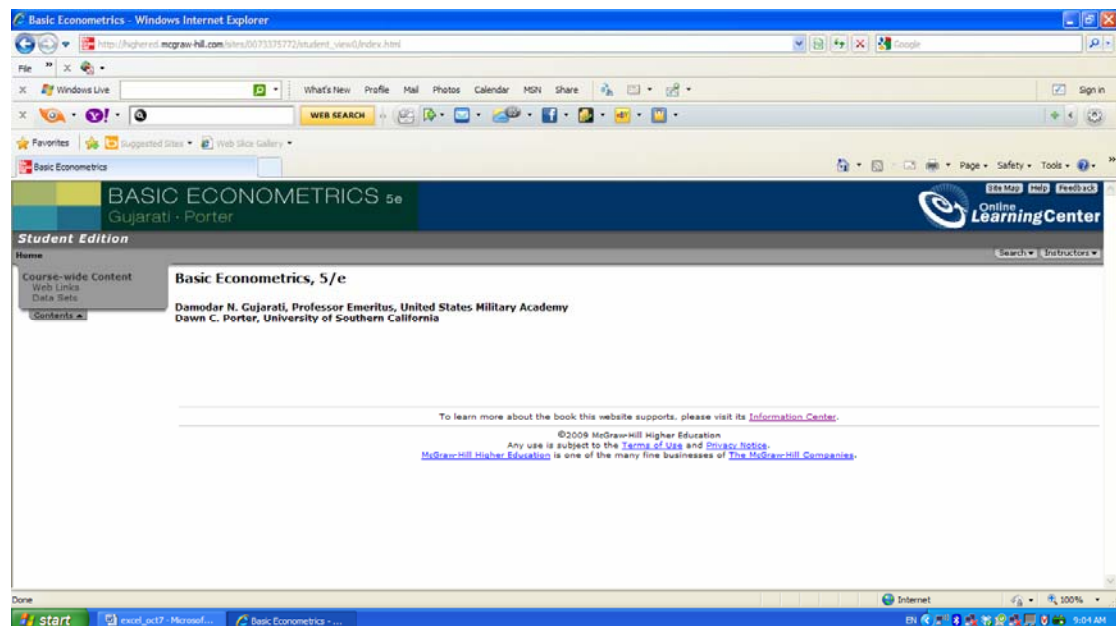


☺EE 325 ☺

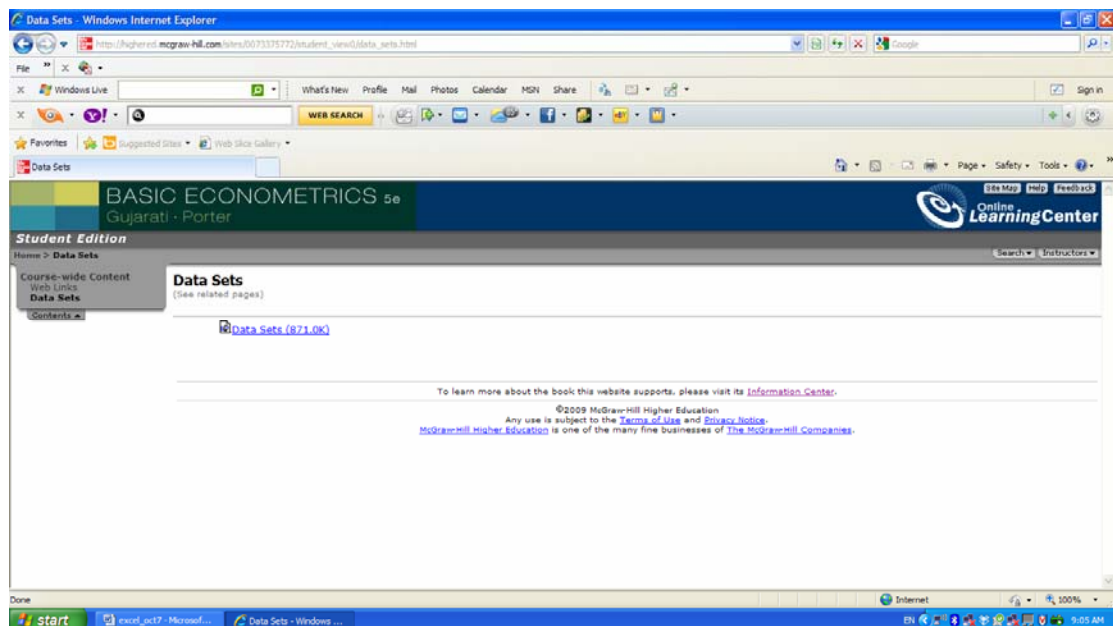
Download the data from www.mhhe.com/gujarati5e



Click on student edition



Then click on Data Sets



Double click on data sets and **save** it in one of your folder

Microsoft Office Excel 2007

1. Draw graph and compute the inflation rate

Table 1.3 gives data on the Consumer Price Index (CPI) for seven industrialized countries with 1982-1984=100 as the base of index.

- From the given data, compute the inflation rate for each country
- Plot the inflation rate for each country against time
- What broad conclusion can you draw about the inflation experience in the seven countries

2. Table 1.4 gives the foreign exchange rates for nine industrialized countries for the years 1985-2006. Except for the United Kingdom, the exchange rate is defined as the units of foreign currency for one U.S. dollar; for the United Kingdom, it is defined as the number of U.S. dollars for one U.K. pound.

- Plot these exchange rates against time and comment on the general behavior of the exchange rates over the given time period.
- The dollar is said to appreciate if it can buy more units of a foreign currency. Contrarily, it is said to depreciate if it buys fewer units of a foreign currency. Over the time period 1985-2006, what has been the general behavior of the U.S. dollars? Incidentally, look up any textbook on macroeconomics or international economics to find out what factors determine the appreciation or depreciation of a currency.

3. Construct regression model and hypothesis testing (p-value method)

Table 3.3 gives data on the number of cell phone subscribers and the number of personal computers (PCs), both per 100 persons, and the purchasing-power adjusted per capita income in dollars for a sample of 34 countries.

2.1 To see if per capita income is a factor in the use of cell phones, we regressed each of these means of communication on per capita income using the sample of 34 countries. Construct a regression line and interpret the meaning. Is the estimated intercept coefficient different from zero at the 5 percent significance level? Is the estimated slope coefficient different from zero at the 5 percent significance level?

2.2 To see if per capita income is a factor in the use of PCs, we regressed each of these means of communication on per capita income using the sample of 34 countries. Construct a regression line and interpret the meaning. Is the estimated intercept coefficient different from zero at the 5 percent significance level? Is the estimated slope coefficient different from zero at the 5 percent significance level?

4. Table 3.7 gives data on gold prices, the Consumer Price Index (CPI), and the New York Stock Exchange (NYSE) Index for the United States for the period 1974-2006. The NYSE Index includes most of the stocks listed on the NYSE, some 1500-plus.
 - Plot in the same scattergram gold prices, CPI and the NYSE Index.
 - An investment is supposed to be a hedge against inflation if its price and/or rate of return at least keeps pace with inflation. To test this hypothesis, suppose you decide to fit the following model, assuming the scatterplot suggests that this is appropriate:

$$\text{Gold price}_t = \beta_1 + \beta_2 \text{CPI}_t + u_t$$

$$\text{NYSE index}_t = \beta_1 + \beta_2 \text{CPI}_t + u_t$$

5. **Construct regression model (The Log-Linear Model)**

Expenditure on Durable Goods in relation to total personal consumption expenditure

Table 6.3 presents data on total personal consumption expenditure (PCEXP), expenditure on durable goods (EXPDUR), expenditure on nondurable goods (EXPNONDUR), and expenditure on services (EXPSERVICES), all measured in 2000 billions of dollars.

Suppose we wish to find **the elasticity of expenditure on durable goods** with respect **to total personal consumption expenditure**. . Construct a regression line and interpret the meaning