

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. 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.

Due to the inauguration of President Tamara Rodenberg on Friday October 7<sup>th</sup>, the 10:10 class is canceled. Therefore, I am also canceling my 9:05 class. **This requires reworking the syllabus, including turning in this homework on Wednesday.** The revised syllabus can be found on my webpage, <http://www.WCsaplarJr.info>.

1) (15 points each) For each event, tell me what happens to the unemployment rate and the labor force participation rate. Explain your logic. Which type of unemployment is affected? Explain your logic including stating any assumptions you are making. Answer each part in separate paragraphs.

- A) A coal miner has been unemployed for so long, he quits looking for a job.
- B) A lifeguard for a lake in the area got laid off a few weeks ago. Tell me what happened then.
- C) A stay-at-home dad decides his kids are old enough, so he starts looking for a job.
- D) A lot of auto workers were laid off in 2009. What happened in 2009?

2) (20 points) Suppose the CPI starts the year at 1000 and people are expecting 3% inflation. At the end of the year, the CPI is 1040. What is the inflation rate? Show all work. Name two groups who are helped by this inflation. Explain in detail why both are helped.

3) (20 points) In class, I gave the equation  $r = \frac{i - \pi}{1 + \pi}$ . What do  $r$ ,  $i$ , and  $\pi$  represent? In the equation, an increase in  $\pi$  will cause  $r$  to decrease twice. What is the economic reason that  $r$  decreases twice. I am looking for economics not mathematics. Find  $r$  if  $i = 21\%$  and  $\pi = 10\%$ . Show all work.