

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.

- 1) (15 points) The definition of a business cycle includes the phrase “recurrent but not periodic.” What does that mean? Why is that important to forecasting?

- 2) (25 points) The book says that some economists feel the data cannot be used to conclude that the business cycles have become less severe. Explain their logic. I said that in theory, the cycles should be less severe. Explain my logic.

- 3) (10 points each) For each of the following variables, determine if it is pro-cyclical, counter-cyclical, or acyclical. Also determine if it is leading, lagging, or roughly coincident. Explain your logic for both parts.
 - A) Business fixed investment
 - B) Nominal interest rates
 - C) Stock prices
 - D) Employment
 - E) Duration of unemployment
 - F) The amount of consumer debt per person