

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point on the assignment.

1) (30 points) How would you solve the developing problem with the social security fund? Why would you do that? How would that solve the problem? For one of the other proposals that are commonly given, explain why you would not choose that one.

2) (20 points) Unemployment benefits in Sweden are a much larger percent of your income and they last for about 6 times as long as in the USA. Which country has a larger natural rate of unemployment? Why do you say that?

3) (10 points each) For each of the following people, explain whether they are unemployed or not. If they are unemployed, then state whether they are frictionally, structurally, cyclically, or seasonally unemployed and explain your logic. If they are not classified as unemployed, then explain why they are not unemployed.

A) If Weirton Steel closes a plant, then the people that used to work there.

B) You now, assuming that you do not have a job.

4) (30 points) Economists say that anticipated inflation does not hurt most people. Why not? Why do many economists say that inflation is the most important problem that needs to be monitored?