

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 1 point. 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) Answer each part in separate paragraphs.

A) (5 points) What is the problem facing Social Security?

B) (20 points) How would increasing the Social Security tax rate reduce the problem? Would you do it? Why or why not?

C) (20 points) How would means testing of the Social Security benefits reduce the problem? Would you do it? Why or why not?

2) (10 points each) How does the event affect the labor force participation rate and the unemployment rate? Which category of unemployment is affected? Explain your answers. Answer each part in separate paragraphs.

A) John was a steel worker in this area until he was laid off recently.

B) Cathy used to lifeguard at a local outdoor pool until she was recently laid off.

C) Ben was a stay-at-home dad who has decided to look for a job.

D) Liz was mad at her boss, so she quit.

3) (15 points) What is the value for full employment in the USA? Why isn't that 0% unemployment?