

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) (10 points) Some economists feel that the business cycle has not become less severe. Explain their argument.

2) (15 points each) Answer each part in separate paragraphs. For each of the following, determine if it is procyclical, acyclical, or counter-cyclical. Explain your logic. Also determine if it is leading, lagging, or roughly coincident. Explain your logic.

- A) residential fixed investment
- B) employment
- C) inflation
- D) duration of unemployment
- E) stock prices

3) (15 points) The timing of unemployment rate (not to be confused with Part D above) is officially classified as “unclassified.” Explain why at times it might be leading but at other times might be lagging.