

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 article below discusses people quitting their jobs. When in the business cycle does that happen most? Explain your logic. Which type of unemployment is that? Explain your logic.

<https://www.statista.com/chart/26186/number-of-people-quitting-their-jobs-in-the-united-states/>

2) (15 points each) Answer each part in separate paragraphs. For each event, determine what happens to the unemployment rate and the labor force participation rate. Explain your logic. Which type of unemployment is affected? Explain your logic. State all assumptions you are making.

A) Chris lost her job as a lifeguard at an outdoor pool in this area a month ago.

B) Mike decides to quit his job to become a stay-at-home dad. (I know a Mike who did this.)

3) (15 points) Normally, when the unemployment rate goes down, it means the economy is stronger. However, there is an event which would decrease the unemployment rate and would be a signal the economy is doing worse. What is that event? How would it decrease the unemployment rate but also indicate the economy is not going to do well.

4) (20 points) Suppose at the start of the year, the CPI was 800 and the expected inflation rate was 8%. If the CPI at the end of the year was 840, then what was the inflation rate? Show all calculations. Who was hurt by the inflation? Name two groups of people and explain how they are hurt.

5) (20 points) I said that inflation normally does not hurt anybody. However, the news over the past two years regularly points to how people are being hurt by the inflation. Explain why normally, inflation does not hurt anybody and explain how it has hurt people recently. How can both statements be true?