

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. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment and failure to type it will cost you 10 points.

Unfortunately, there are no equations in the section of the chapter we are covering. Thus, there is no equation to explain.

- 1) (20 points) Why is it important that a macroeconomic variable have a consistent “timing”?
- 2) (15 points each) For each variable, determine if that variable is pro-cyclical or counter-cyclical, and what its timing is. Explain the economic reason that variable has those two properties.
 - A) Inventory investment
 - B) Inflation
 - C) Average labor productivity
- 3) (20 points) Figure 8.1 would imply that determining the start and end of business cycles is easy to do; however, it is not. Why is it hard to do?
- 4) (15 points) For a several quarters around the start of 1991, GDP rose, but unemployment also rose. How is that possible.