

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.

1) (10 points each) For each of the people below, determine if they are unemployed or not. If they are not classified as unemployed, then explain not. If they are classified as unemployed, then determine which category of unemployed they are. Briefly explain your logic.

- A) A person quits their job because they do not like their boss.
- B) A lifeguard at an outdoor pool in Pennsylvania during the wintertime.
- C) A former steel worker in Weirton.
- D) A person who has been unemployed so long, they stopped looking for a job.

2) (15 points) Explain why high inflation which is fully anticipated imposes almost no costs to society.

3) (25 points) There are two reasons why high, but fully anticipated causes costs on society. (Only one of the two is in the book.)

4) (20 points) Suppose that the CPI this year is 1000 and the CPI next year turns out to be 1030. If people had been anticipating 5% inflation, then who gained and who lost? Explain your logic and mention at least two groups of people who lost and two groups who gained.