

Do not put your name anywhere on the assignment. Other than on the back of this sheet of paper. Staple your answers 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.

I noticed an error on the syllabus. When I distributed the points for the semester, I said there were three tests and ten homework assignments. Looking at the schedule says this is wrong. There are four tests and nine homework assignments. This changes the breakdown of points to the following:

9 homework assignments combined	9% (1% each)	90 points (100*1/10 = 10 each)
The four exams combined	64% (16% each)	640 points (160 = 100*1.6 each)

1) (20 points) Below is the poem that was supposed to have been on the first assignment. It shows how explaining an equation is more than just translating it. Explain $Y=AK^{-3}N^{.7}$. Explain A, K, N, and why the two numbers are less than one.

2) (30 points each) Illustrate the following events on the NS/ND diagram and on the production function. Use separate graphs for Part A and Part B. Explain why the curve(s) moved as drawn. What happens to the real wage, the amount of labor, and the level of GDP?

A) There is an increase in capital.

B) People expect taxes to rise in the future.

3) (20 points) We draw the labor supply curve as an upward-sloping line. Why did we do this? Why might it actually bend back? I.e., why might there be less labor supplied as the wage rate increases?

பாஷும் தெளி தேலும் பாதும்
 பரப்பமி அவ நாளும் கலந்தூ ஸக் து
 நான் தருவேன்
 கோஷும் செம்
 தூங்கிட் கிழகத்து தூமணியே !