Wilf Csaplar Jr.   Economics 302   Homework #7   Due 03/26

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. If you do double-sided printing or print on the back of scrap paper, I will give you one additional point.

I am sorry to disappoint you, but there will be no class on Friday, 3/23 because I will be in Minneapolis.

1) (10 points) Explain $\pi = \dfrac{\Delta M}{M} - \eta_V \dfrac{\Delta Y}{Y}$. You do not have to worry about the η.

2) (20 points) Why has V1 become unstable? Why has it grown over time?

3) (15 points) Why do we care if the velocity of money is stable?

4) (20 points) What does it mean that the business cycle is "recurrent but not periodic"? Why does it matter whether or not it is periodic?

5) (15 points) Why have the business cycles become less severe over time?

6) (20 points) Suppose that some leading indicators show the economy is improving but others say the economy is going to decline. What do you think will happen? Explain your logic.