

Place your name on the back of this sheet of paper and nowhere else. 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 use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (30 points) Draw a supply and demand diagram for a good with a steep supply curve and a flat demand curve. Illustrate a tax on the good. Explain why the curve(s) moved as drawn. Show the before tax and after tax prices and quantities. Who pays more of the tax? Prove that using the graph.

2) (10 points) Suppose that there are currently 1 million cars sold every year. If there was a tax of \$1000 per car, would the tax bring in \$1 billion? If yes, prove it. If no, then explain why not.

3) (15 points each) For each of the following events, determine how it affects the unemployment rate. Which type of unemployment is affected? How does it affect the labor force participation rate? Explain your logic for all parts.

A) I know somebody who quit their job because they disliked their boss.

B) A former steel worker is so discouraged looking for a job, they quit looking.

C) A senior graduates without a job. (Hopefully that will not happen.)

D) A lifeguard in this area who guards at a beach, they are laid off when the fall arrives.