Wilf Csaplar Jr.   Economics 162   Homework #4   Due 3/4

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) (10 points each) For each of these events, explain how the unemployment rate is affected. If the person is unemployed, determine which category of unemployment it is. Explain your logic.
A) Weirton Steel lays off 100 people.
B) A lifeguard for a lake when the autumn arrives.
C) A person is unemployed so long that they quit looking for a job.
D) A house-husband decides to re-enter the market.
E) An assembly line worker at a TV plant was laid off last year.

2) (25 points) Why does fully anticipated inflation have almost no negative effects? What are the negative effects of fully anticipated inflation? Explain your logic.

3 (25 points) Suppose people expected an inflation rate of 10% at the beginning of the year. The CPI at the start of the year was 400 and at the end of the year, the CPI was 420. What was the inflation rate during the year? Show all work and briefly explain what you did. Who would be hurt by this inflation? Explain your logic and mention at least two groups.