Wilf Csaplar Jr.   Economics 302   Homework #2   Due Monday 2/8

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.

Since most of you could not do questions #1 and #2 on Homework #1, if you answer those questions now, I will add the appropriate points to your grade for a Homework #1.

1) (15 points) Explain $\Delta Y/Y = 3 - 2\Delta u$. Explain why the "3" is positive, the "-2" is both negative and less than -1 and the Δu.

2) (35 points) Draw the production function with labor on the horizontal axis and the NS/ND diagram. Illustrate an increase in the amount of capital on both graphs. Explain why the curve(s) moved. What happens to the wage rate, the amount of labor hired, and the amount produced?

3) (35 points) Draw the production function with labor on the horizontal axis and the NS/ND diagram. Illustrate an increase in the amount of wealth on both graphs. Explain why the curve(s) moved. What happens to the wage rate, the amount of labor hired, and the amount produced?

4) (15 points) Explain how both of the following statements can be true at the same time. (Both are true for the USA.) Most unemployment spells are for short periods of time. Most unemployed people, at any point in time, have long-term unemployment.