Wilf Csaplar Jr.   Economics 162   Homework #4   Due Friday 2/25

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up 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.

Starting next week, my Tuesday/Thursday office hours will change slightly. The 12:15 - 1:15 hours will now be 11:00 - 12:00 providing no committee meeting. I will still have office hours from 1:15 to 1:45. My office hours are posted on [my web page](#).

Currently the federal government is borrowing in one year an amount equal to 1/10 of all output done by our country for the year. We need to get a handle on that. In the future, Social Security will be a major cause of this problem.
1) (10 points) What is the problem facing Social Security? Briefly explain why it has this problem.
A) (15 points) How would removing the cap on the income taxed reduce the problem? Would you support doing that? Why or why not?
B) (15 points) How would increasing the retirement age reduce the problem? Would you support doing that? Why or why not?

2) (10 points each) For each event, tell me how it affects the unemployment rate and the labor force participation rate. Explain which type of unemployment is affected.
A) A construction worker is laid off due to the weather.
B) A steel worker in this area gets laid off.
C) A Bethany College student graduates without a job. (Obviously, somebody who did not work hard in ECON 162.)
D) John's children are now in school so he decides to stop being a stay-at-home dad and starts looking for a job.

3) (15 points) Explain why full employment is not 0% unemployment.