Wilf Csaplar Jr.   Economics 302   Homework #3   Due Thursday 2/9

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) Explain $\Delta Y/Y = 3 - 2\Delta u$. In addition to explaining Δu, explain what the 3 is and explain why the 2 is greater in absolute value than 1.

2) (20 points) What are the two effects of a wage increase which cause the NS curve to have its shape? Explain the two effects and how they affect the slope. Which is stronger? Why do we say that?

3) (20 points) Draw the supply and demand for labor. Illustrate the effects of an expected increase in future taxes. Explain why the curve(s) moved as drawn.

4) (10 points) A few months ago the unemployment rate dropped from 8.9% to 8.6%. Why did many economists see this as a bad sign?

5) (15 points) Draw the inter-temporal budget constraint. Illustrate the effects of an increase in this year's pay. Explain why the curve moved as drawn.

6) (25 points) Draw the inter-temporal budget constraint. Illustrate the effects of an increase in the interest rate. Explain why the curve moved as drawn. Explain why it is ambiguous as to whether savings will increase or decrease. Explain your logic.