Wilf Csaplar Jr.   Economics 162   Homework #4   **Due Thursday 2/28**

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.

1A) (5 points) What is the problem facing Social Security? What are the two causes of the problem?
1B) (20 points) One proposed solution is to increase the Social Security tax. How would that reduce the problem? Would you do that to reduce the problem? Explain your logic.
1C) (20 points) One proposed solution is to increase the retirement age. How would that reduce the problem? Would you do that to reduce the problem? Explain your logic.

2) (10 points each) For each of these events, tell me what happened to the labor force participation rate and the unemployment rate. Explain your logic. Which category of unemployment is affected? Explain your logic.
A) Andrew dislikes his boss so much that he quits his job.
B) Kathy was a steel worker in Weirton, but gets laid off.
C) John was a stay-at-home dad, but now that the children are in school, has decided to look for a job.
D) A ski lift operator in this area in a couple of months.

3) (15 points) Last semester, during the campaign, President Obama stated, "If there is any American without a job who is looking for a job and cannot find one, then we have not done our job." Prove that using Obama's definition, it is impossible for him to do his job. I define the President as having done a good job if the unemployment rate is at full employment. What does that mean and how is it different from what President Obama said? Explain your logic.