Wilf Csaplar Jr.   Economics 302   Homework #3   **Due Thursday 2/11**

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) (15 points) Explain $\Delta Y/Y = 3 - 2 \Delta u$. You can treat $\Delta Y/Y$ as a single variable after you define it. Also explain why the "3" is greater than 0 and why the "-2" is larger than 1 in absolute value.

2) (20 points) What are the two effects which determine the slope of the NS curve? Given the way we draw it, which are we assuming is the stronger effect? Explain your logic.

3) (10 points each) For each of the following events, determine what happens to the labor force participation rate and the unemployment rate. Explain your logic. If the unemployment rate is affected, which category is affected? Explain your logic.
A) A coal worker gets laid off in this area.
B) A stay-at-home dad starts looking for a job.
C) A ski instructor gets laid off in two months.

4) (20 points) Draw the NS/ND diagram. Illustrate the effects of an expected increase in taxes next year. Explain why the curve(s) moved as drawn. What happens to the wage rate and the amount of labor employed?

5) (15 points) Draw the intertemporal budget constraint. Illustrate the effects of an increase in the interest rate. Explain why the curve moved as drawn.