

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 10 points. 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.

I will have to miss class on 4/18. So, this homework is due whenever the next class is. We will make up the class some evening or late afternoon to be determined in class.

1) (15 points each) Answer each part in separate paragraphs. For each variable, determine if it is pro-cyclical, counter-cyclical, or acyclical. Explain your logic. Is it leading, lagging, or roughly coincident? Explain your logic. For the ones which are in the book, I will give no points for determining which categories it is in. All points are for your logic. For those not in the book, some points will be for getting the categories correct.

- A) Residential fixed investment
- B) Inflation
- C) Duration of unemployment
- D) Consumption
- E) Stock prices
- F) Inventory investment

2) (10 points) In class I argued that unemployment may be leading when reaching the peak and lagging when reaching the trough. Why would that be?