

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.

1) (15 points) If you go to the first article below, you will find the quotation, “The United States ... Things look pretty good at the moment, but there is a sense that growth may be weaker when it comes to 2023.” However, if you go to the second link, you will get the headline, “Forecast for US Recession Within Year Hits 100% in Blow to Biden”. The former says the economy will grow, but it may be weaker and the latter says the economy will shrink. The two articles were only about 2 ½ weeks apart. What are three reasons why economists cannot agree on what will be happening in the economy? Explain your logic.

<https://www.weforum.org/agenda/2022/09/chief-economists-outlook-inflation-recession-sept-2022/> <https://www.bloomberg.com/news/articles/2022-10-17/forecast-for-us-recession-within-year-hits-100-in-blow-to-biden>

2) (10 points) Some economists feel that the data cannot be used to prove that the business cycles have become less severe since World War II. Explain their logic.

3) (15 points each) For each of the following, determine if the variable is pro-cyclical, counter-cyclical, or acyclical. Explain your logic. Also determine if its leading, lagging, or roughly coincident. Explain your logic.

- A) Residential fixed investment
- B) Inflation
- C) New unemployment claims
- D) Consumption

4) (15 points) Use Okun’s Law to explain why the unemployment rate is not classified as leading, lagging, or roughly coincident.