Homework 2

Due February 15, 2010 at 5:00pm, via Turnitin

1. Read chapter 20 from Hubbard and O’Brien.

2. Define “Inflation” “Deflation” “Disinflation” “Price Level” “Consumption Basket” “Employment” “Unemployed” “Labor Force” “Labor Force Participation Rate” “Frictional Unemployment” “Structural Unemployment” “Cyclical Unemployment” and “Discouraged Workers” with one or two sentences each. Do not use the definitions in the book; provide your own definitions in a way anyone can understand.

3. Find the expenditure components of GDP for Turkey for the longest history available. In real terms, which component has the largest share of GDP? Have these shares been constant? Can you interpret the levels and changes? In terms of levels, when you look at the variances of consumption, investment, government spending and net exports, which ones seem more variable than the GDP itself and which ones less variable? If you have taken Econ 101, you should be able to interpret your finding.

4. Find the latest employment survey from TÜİK’s web page. Report and discuss the numbers. (Someone who knows nothing about Turkey but reads your discussion should get a clear picture of the state of the Turkish labor market.)

5. Find the latest (CPI) inflation numbers from TÜİK’s web page. Report and discuss the numbers. (Someone who knows nothing about Turkey but reads your discussion should get a clear picture of the inflation dynamics in Turkey.)

5. Are army conscripts counted as employed in Turkey? How would the labor force participation rate and the unemployment rate change if that status were to change?
6. In Keyifistan, only three goods are consumed, lakerda, arnavut ciğeri and ezme. The table below shows the consumption basket of the average household and prices of the three goods in years 1 and 2.

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<thead>
<tr>
<th></th>
<th>Year 1</th>
<th></th>
<th>Year 2</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Quantity</td>
<td>Price</td>
<td>Quantity</td>
</tr>
<tr>
<td>Lakerda</td>
<td>6</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>Arnavut Ciğeri</td>
<td>20</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Ezme</td>
<td>10</td>
<td>10</td>
<td>15</td>
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</tbody>
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Given this information, calculate the CPI inflation rate from year 1 to year 2 using the year 1 basket. Then calculate the same inflation rate using the year 2 basket. Discuss your finding.

7. How many discouraged workers are there in Turkey according to the latest numbers? Are they counted in the unemployment rate? Should they be?

8. The US employment report was released by the Bureau of Labor Statistics last Friday (Feb. 5). Take a quick look at the report’s first three pages. Is the US unemployment rate higher or lower than that of Turkey’s? Is unemployment getting better or worse in the US? In general the US has a much higher labor force participation rate and a much lower unemployment rate compared to Turkey. Why do you think this is?

9. Read The Economist of the week of February 4, 2010. Write a one page essay on “Greece's sovereign-debt crunch: A very European crisis”. Write a one page (typed only, double spaced, Times New Roman 12 Font, normal margins) essay about one of the articles in The Economist. You can use additional pages only for references and exhibits, if any. Make sure you properly refer to all sources you use.

Your essay should contain economic analysis. Your essay should not be a summary of the article you’ve read. Think of it as a “position paper,” tell us something that you think I should know on the topic, in a way that demonstrates analytical thinking of an economist. Ask yourself; is your essay worth reading (for someone other than you)?

After you finish writing your essay leave it aside and read it again the next day. Edit your own work. Ask one of your classmates to read your essay and comment on it. Make sure that you are turning in an internally consistent, nicely flowing essay with absolutely no typos or grammatical mistakes. You have a week to perfect the language of your essay, be serious about it. The aim of this exercise is to encourage you to think critically about world matters using the economic tools you have learned and to help you articulate analytical thinking in written work.
Remember to provide proper references when you use TÜİK’s (or any other source’s) data or articles from The Economist.