

Economics 101b: Fall 2005: Problem Set 7

(Due in section on November 9, 2003)

1. Explain—to somebody who has never taken an economics course—the reasons that you think economic growth in Japan slowed from 4.5% over 1973-1991 to less than 1.5% over 1991-present. Keep your answer to less than 300 words (and a couple of figures).
2. Explain—to somebody who has never taken an economics course—the reasons you think that western European unemployment today is so much higher than western European unemployment was back in the 1960s.
3. In the late 1990s Alan Greenspan argued that the natural rate of unemployment in the U.S. had temporarily fallen because of the acceleration of productivity growth. Briefly, outline a model of worker behavior in which this claim of Alan Greenspan's is true, and outline a model of worker behavior in which this claim of Alan Greenspan's would have been false. Keep your answer to whatever equations you find necessary and to less than 300 words (and a couple of figures).
4. Explain—to somebody who has never taken an economics course—why a loss of confidence in the value of a country's currency on the part of foreign exchange speculators is highly likely to lead to a fall in the rate of investment even if no financial crisis is created. Keep your answer to less than 150 words (and a figure or two).