Macroeconomics 2014
Problem set #3 .
Due: May 27th at the beginning of the class

a)Make a photocopy of your answer and keep your photocopy and turn in the original. so that we can discuss the answer after your submission of your homework.

b)The submission of the homework is counted as the attendance of the class. Thus, submission of your homework by people other than yourself is not accepted.

c) The late homework is not accepted.

d) For grading, the following rule is applied. For excell work, A. If the homework shows that you make a substantial effort and the result is above average, it is B. If the homework shows that you make a substantial effort, but the result is poor, it is B-. If the homework shows that you are not making a substantial effort to solve the problem set, it is C-.

Student need to disucss the answer of all questions in the study group. After discussion, each student needs to submit the discussed answer.

First read chapter 3 of the text and do the following:

1. Solve question 7 of the Mankiw's textbook on page 77.
2. Solve question 8 of the Mankiw's textbook on page 77.
3. Solve question 9 of the Mankiw's textbook on page 77.
4. Solve question 10 of the Mankiw's textbook on page 77.
5. Solve question 11 of the Mankiw's textbook on page 77.
6. Solve question 13 on the Mankiw's textbook on page 78.

7. Consider the following production function:

$$Y = K^{0.5}L^{0.5}$$

Assume that K=16.

(1)calculate the marginal product of labor and draw the graph by measuring MPL on the vertical axis and the amount of the labor on the horizontal axis.

(2) When the amount of labor is equal to 36, calculate the equilibrium real wage rate in this economy.

8. Breifly explain the following concepts:

(a) monetary base

(b) money supply

(c) quantity theory of money

(d) double coincidents of wants

(e) money multiplier and its relationship with currency deposit ratio and reserve rate

(f) fisher effect (or fisher equation)