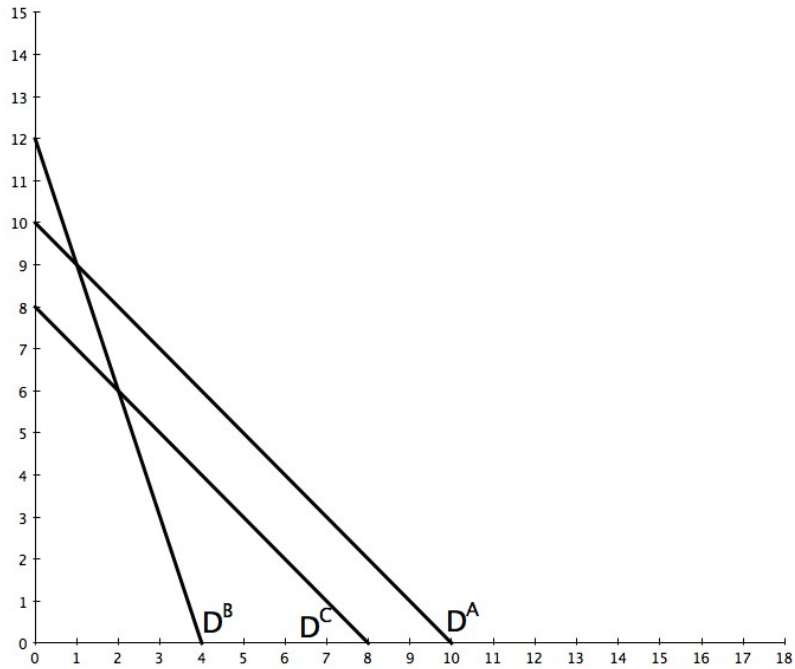


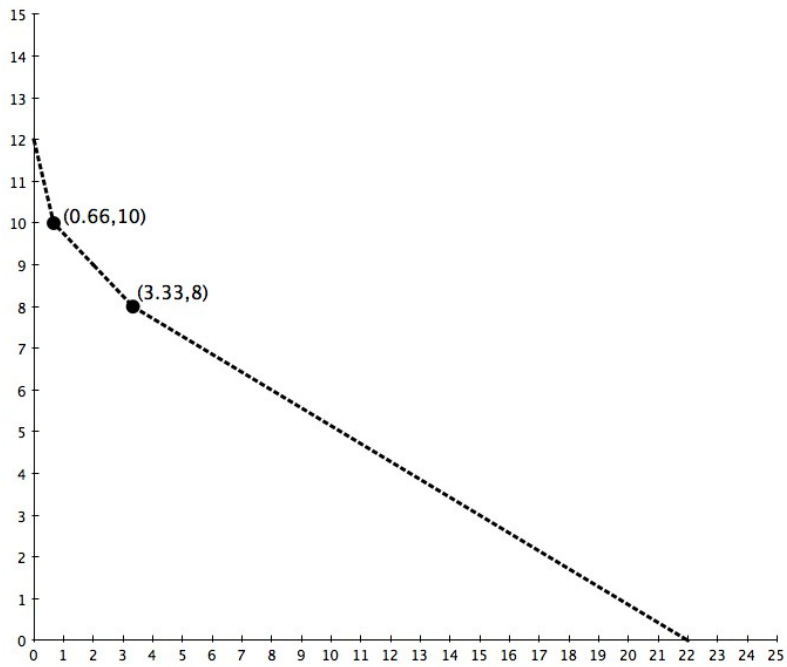
# Week 3 Solutions

## Exercise 1

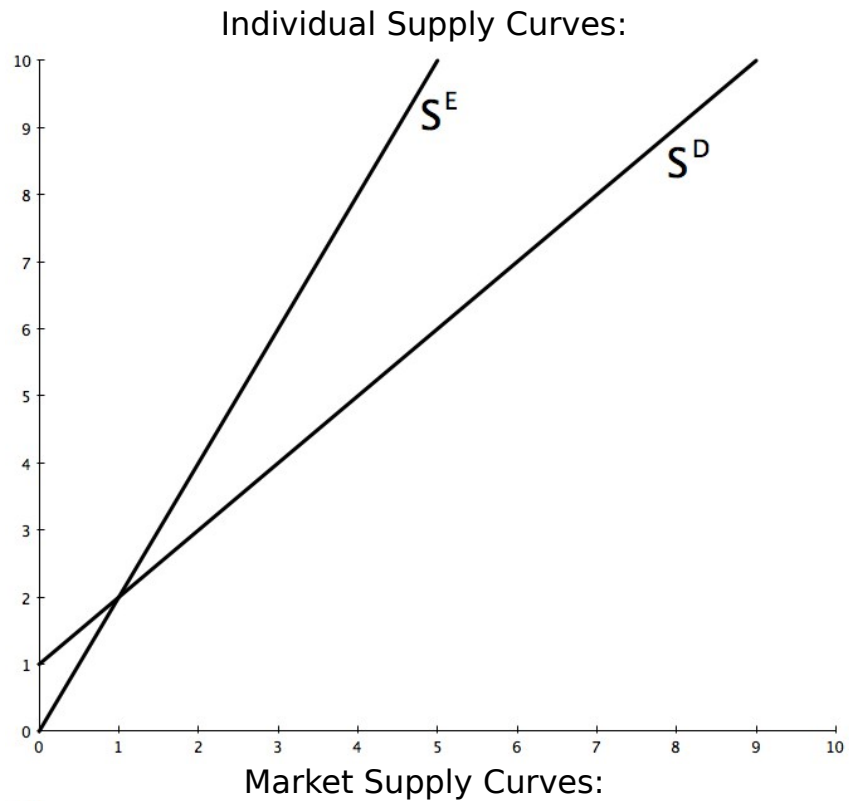
Individual Demand Curves:



Market Demand



## Exercise 2



## Exercise 3

1. Positive: The Dow Jones is up 9.94% as of 3 Feb.
2. Normative: To say it is "too" high implies there's a lower & better rate.
3. Normative: This is a prediction that may *or may not* prove true.

4. Positive: QE is a policy with the explicit purpose of increasing the money supply. More to come.
5. Normative: It is a matter of opinion that current policies are *not* optimal.

## Exercise 4

Here are a few of them:

Positive:

1. "The actual decline [in the employment-population ratio] was from 62.9 to 58.6, or 4.3%." *This is a calculation based on data.*
2. "Kapon and Tracy suggest that we're actually only 0.7 points below full employment." *This is a factual restatement of K&T's proposition.*
3. "Inflation was considerably lower at the end of the pre-crisis era than the beginning." *This is a fact regarding the measurement of how price changed.*

Normative:

1. "The economy was highly overheated in late 2007." *How do you define 'highly' overheated?*
2. The economy of the early 2000s "was overheated almost the whole time." *Same argument as #1.*
3. "40 percent of the decline is demographic" *This is based on his interpretation that there are only two causes.*