

Macro Mod 23 Homework assignment

(The attached PDF file has better formatting.)

Chapter 16: Sticky prices and nominal wage rates

Suppose demand for actuaries is high from October through March, as actuaries price policies effective on January 1 and complete financial reporting requirements. From April through September, demand for actuaries is lower.

Part A: If the wage rate for actuaries is sticky and the labor market for actuaries clears, what would be the seasonal pattern for actuarial labor?

Part B: Using the concept of labor hoarding, why might actuarial labor not be cyclical?

Part C: How does labor hoarding affect the cyclicity of the average product of labor? Why is this important for the new Keynesian model?