Exercise 1: Labor Force

Indicate whether the following people are employed, unemployed, or out of the labor force. If they are unemployed indicate whether their unemployment is structural, cyclical, frictional, or seasonal if possible.

a) A full-time student who does not work

b) An auto assembly-line worker who was laid-off when his plant was closed for production changes and has not been looking for work.

c) A stay-at-home mother

d) A retired aero-space engineer that bags groceries part time

e) Katie looses her life guarding job at the end of the summer, just before returning to school

f) After a tariff on steel is repealed, American steel manufacturers lay-off some workers

g) Due to generally decreasing retail sales, many retail workers loose their jobs

h) John leaves his position at McDonalds to look for a new job

i) Mary is working a part time job while she looks for a permanent position

Exercise 2: Unemployment

The following is employment information about the country Badger Land.

Entire Population	800
People under the age of 16	75
Retired people	200
Number of people with full time job	250
Number of people with part time job	175
Number of people without a job but looking for one	75
Number of people without a job and not looking for one	25

a. What is the unemployment rate of Badger Land?

b. What is the labor force participation rate in Badger Land?

Exercise 3: Price Indexes

In Fast Foodland the market basket of goods is 2 hotdogs and 1 cheeseburger. Fill in the table below, using 2007 as the base year.

	Hotdogs		Cheeseburgers			GDP		
Year	Price	Quantity	Price	Quantity	CPI	Nominal	Real	Deflator
2005	$2.00	400	$3.50	200				
2006	$2.50	300	$3.00	250				
2007	$3.00	310	$4.00	150				

Exercise 4: Inflation

Using the information above, calculate the rate of change in prices of hotdogs and cheeseburgers , the inflation rate, and the growth rate of nominal and real GDP from 2005 to 2006 and 2006 to 2007. Is there anything that is counter intuitive?

Year	Hotdog Prices	Cheeseburger Prices	CPI	Nominal GDP	Real GDP
2005 to 2006					
2006 to 2007					

Exercise 5: Real versus Nominal Variables

Fill in the table below.

Year	CPI	Nominal Wage	Real Wage
1980	100	$6/hour	
1990		$10/hour	$8/hour
2000	150		$7/hour

Exercise 6:

Use the information above to calculate the CPI in 2000 with 1990 as the base year.