

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point on the assignment.

1) (10 points each) Are the following people employed, unemployed or outside of the labor force? Briefly explain your logic.

A) A college student that is not working.

B) A person who has been unemployed so long that they quit looking.

C) A person who wants a full time job, but is working 10 hours per week.

2) (25 points) What are some costs of unemployment other than lost output?

3) (25 points) Explain why the rate of unemployment at full employment rate is not zero. In your explanation, refer to the relevant categories of unemployed.

4) (20 points) Suppose that you have the following data. Use it to calculate the CPI. Briefly explain how you calculated it and show all work.

	Quantity 2001	Quantity 2002	Price 2001	Price 2002
Apples	100	120	\$0.50/apple	\$0.25/apple
Bananas	50	80	\$0.40/banana	\$0.60/banana
Compact discs	30	50	\$1.00/CD	\$2.00/CD