

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (15 points each) For each of the following, determine what happens to the unemployment rate and the labor force participation rate. Explain your logic. Which type of unemployment is affected? Explain your logic.

- A) A steel worker in this area is so discouraged by being unemployed for a couple of years that he quits looking for a job.
- B) A stay-at-home dad decides his children are old enough for him to go back to work.
- C) A ski instructor in this area gets laid off in a few weeks.
- D) A sales person laid off in 2009 gets rehired in 2010.

2) (10 points) Suppose the CPI at the beginning of the year was 500 and at the end of the year it was 550. What was the inflation rate? Show all work.

3) (15 points) All statistics have problems which mean that the number is not as useful as it could be. What are two problems with the unemployment rate? Explain your logic.

4) (15 points) All statistics have problems which mean that the number is not as useful as it could be. What are two problems with the inflation rate? Explain your logic.