

Do not put your name anywhere on the assignment, other than on the back of this sheet of paper. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. 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.

1) (10 points each) For each of the following people, are they classified as unemployed? If yes, then tell me which type (frictional, structural, cyclical, or seasonal). If no, then tell me why not.

A) A steel worker who has been unemployed so long, they have quit looking for a job.

B) A stay-at-home dad.

C) A person who quit their job because they dislike their boss.

2) (20 points) Explain two problems with high unemployment other than just reduced output.

3) (10 points) If the CPI at the start of this year was 200 and at the end of this year it is 210, then how much was the inflation? Show all work.

4) (20 points) Why are there almost no costs to fully anticipated inflation? What are the costs? How does the inflation cause those problems?

5) (20 points) If people expect the inflation rate to be 4% and the inflation rate is actually 3%, then what two groups of people like the 3% inflation and what two groups of people dislike the 3% inflation? Why would those groups like or dislike the actual inflation?