

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) (10 points) Every statistic has problems with the definition which make it less useful than we would like it to be. What are two problems which make the unemployment rate less useful than it should be? Explain your logic.

2) (15 points each) Answer each part in separate paragraphs. State all assumptions you make. For each event, tell me 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 ski instructor gets laid off this week in this area.

B) Your friend graduates from Bethany College without a job. (You'll get a job because you passed this course.)

C) A former coal miner is unemployed for so long that he quits looking for a job.

D) A lot of people were laid off in 2008.

E) A stay-at-home dad decides to start looking for a job.

F) A person with a job decides to retire.