

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) (25 points) Suppose a country has 1000 citizens 16 and older. 540 have jobs. 60 do not have a job, but are looking for a job. 10 do not have a job, but have quit looking for a job. 200 are stay-at-home parents, and the rest are retired. Calculate the labor force participation rate and the unemployment rate. Show all work and briefly state why you chose to use the numbers you chose for each calculation.

2) (15 points) All statistics have problems with their definitions which make the values less useful than we would like. The unemployment rate has two problems with the definition. Explain them.

3) (10 points each) Answer each part in separate paragraphs. For each event, determine what happens to the labor force participation rate and the unemployment rate. Explain your logic. State all assumptions you are making.

A) John quits his job because he dislikes his boss.

B) Mary was laid off from her job in a factory in 2008 and the company rehired her in 2010.

What happened to the statistics in 2008?

C) A ski instructor in this area gets laid off in a couple of months.

D) A coal miner gets laid off in this area.

E) Henry has been unemployed for so long, he quits looking for a job.

F) A stay-at-home father starts looking for a job.