

Week 4 Review Session Questions

1. Consider the economy of Okay, Oklahoma. In Okay, there are 100,000 citizens.

Of those 100,000, 20,000 citizens are under the age of 16 or in the military.

Of the civilian population, 60,000 are currently employed.

Of the civilian population who are not employed, 10,000 are actively searching for work and 5,000 have not searched in the past month, but would take a job if offered one.

A. What is the size of the labor force and the unemployment rate in Okay, OK (according to the BLS)?

B. The nearby city of Impartial does not like Okay. Impartial does not believe that Okay accurately reports the unemployment rate. Does Impartial have a valid claim? If so, calculate a more accurate unemployment rate. If Impartial does not have a valid claim, explain why not.

C. After more investigating, it is found that there are 5,000 workers in Okay that work 20 hours a week, but would like to work 40 hours (involuntary part-time workers). What is the unemployment rate if you consider workers that would take a job if offered one and the involuntary part time workers?

D. A wave of new technology causes 10,000 workers in Okay to lose their job. What is the new unemployment rate (according to the BLS-do not include discouraged or part time workers)? What type of unemployment is created because the new technology? Is this a concern to economists?

2. The unemployment rate decline from 4.8 percent in January 2017 to 4.1 percent in January 2018. The labor force participation rate also declined from 2017 to 2018, from 62.9 percent to 62.7 percent. If the labor force participation rate had remained unchanged from 2017 to 2018, would the unemployment rate in January 2018 have been lower than, higher than, or equal to 4.1 percent? Briefly explain.

3. Given one of our goals as macroeconomists is to have full employment, which of the following situations should macroeconomists be concerned with and why?

A. Unemployed workers are without a job for an increasing length of time because a new law that states that potential employees of corporations must take a drug test.

B. There is a spike in unemployment in mid-January.

C. A large increase in immigration increases the size of the labor force, but also increases the unemployment rate.

D. People are cutting back on plane travel in favor of car travel, leaving many plane technicians searching for a job.

E. The auto industry shuts down, leaving auto workers out of a job.