

Name: _____ Date: _____

1. The natural rate of unemployment is:
 - A) the average rate of unemployment around which the economy fluctuates.
 - B) about 10 percent of the labor force.
 - C) a rate that never changes.
 - D) the transition of individuals between employment and unemployment.

2. In a steady state:
 - A) no hiring or firings are occurring.
 - B) the number of people finding jobs equals the number of people losing jobs.
 - C) the number of people finding jobs exceeds the number of people losing jobs.
 - D) the number of people losing jobs exceeds the number of people finding jobs.

3. If s is the rate of job separation, f is the rate of job finding, and both rates are constant, then the unemployment rate is approximately:
 - A) $f/(f + s)$.
 - B) $(f + s)/f$.
 - C) $s/(s + f)$.
 - D) $(s + f)/s$.

4. If the fraction of employed workers who lose their jobs each month (the rate of job separations) is 0.01 and the fraction of the unemployed who find a job each month is 0.09 (the rate of job findings), then the natural rate of unemployment is:
 - A) 1 percent.
 - B) 9 percent.
 - C) 10 percent.
 - D) about 11 percent.

5. *All* of the following are reasons for frictional unemployment *except*:
 - A) workers have different preferences and abilities.
 - B) unemployed workers accept the first job offer that they receive.
 - C) the flow of information is imperfect.
 - D) geographic mobility takes time.

6. Which of the following is an example of frictional unemployment?
- A) Dave searches for a new job after voluntarily moving to San Diego.
 - B) Elaine is willing to work for less than the minimum wage, but employers cannot hire her.
 - C) Bill is qualified and would like to be an airline pilot, but airlines do not find it profitable to hire him at the wage established by the airline pilot's union.
 - D) Joan is willing to work at the going wage, but there are no jobs available.
7. All of the following policies were adopted by the government in an attempt to reduce the natural rate of unemployment *except*:
- A) unemployment insurance.
 - B) government employment agencies.
 - C) public retraining programs.
 - D) the Illinois bonus program for unemployment insurance claimants who found jobs quickly.
8. The unemployment resulting when real wages are held above equilibrium is called _____ unemployment, while the unemployment that occurs as workers search for a job that best suits their skills is called _____ unemployment.
- A) efficiency; inefficiency
 - B) efficiency; structural
 - C) frictional; efficiency
 - D) structural; frictional
9. Which of the following is the best example of structural unemployment?
- A) Tim is looking for a job with flexible hours but has not been offered one yet.
 - B) Vickie lost her job as a graphic artist at a movie studio because she did not have training in computer-generated animation.
 - C) Kirby is seeking a job as an airline pilot, but the high union wages in the industry have limited the number of jobs available.
 - D) Fatima lost her job at a packing plant but has not looked very intensively for a new job because she still has 2 months of unemployment insurance benefits left.

10. Discouraged workers are counted as:
- A) part of the labor force.
 - B) out of the labor force.
 - C) employed.
 - D) unemployed.
11. Discouraged workers are individuals who:
- A) have jobs that do not match their skills (e.g., a Ph.D. driving a taxi cab).
 - B) have been unemployed for more than 26 weeks.
 - C) call themselves unemployed but are not seriously looking for a job.
 - D) want a job but have given up looking for one.
12. If the rate of job separation is 0.02 per month and the rate of job finding is 0.10 per month, what is the natural rate of unemployment?