

## Homework 11

### Not for submission for grading

This homework will not be graded. The answer key will be posted after a few days. Direct any homework questions to the TA of your section.

1. A village has a population of 100 people, out of which 45 are currently employed. How much is the unemployment rate in that village?
  - A. Around 45%.
  - B. Around 55%.
  - C. Around 0%.
  - D. We do not have sufficient information to answer this.
2. Which of the following statements is accurate regarding frictional and structural unemployment?
  - A. Frictional unemployment is due to some factor that has a short-term effect, while structural unemployment is due to a factor that has a more permanent effect.
  - B. Structural unemployment occurs only in recessions.
  - C. A recession will not have an effect on the amount of frictional unemployment.
  - D. All of the above are accurate.
3. Which of the following factors is more likely to affect frictional unemployment?
  - A. A labor union that negotiates a wage above the market clearing level.
  - B. A company which pays high wages in order to retain its personnel.
  - C. An app called Workinder that automatically collects all the job openings and the profiles of candidates, proposes potential matches and arranges interviews when both parties agree on the match.
  - D. A law that decreases the minimum wage.
4. Which of the following factors is more likely to affect structural unemployment?
  - A. A labor union that negotiates a wage above the market clearing level.
  - B. A company that offers high wages in order to retain its personnel.
  - C. A law that decreases the minimum wage.
  - D. All of the above.
  - E. None of the above.
5. A law that requires an employer to have a verifiable reason in order to fire an employee should be expected to cause which of the following?
  - A. Increase the natural rate of unemployment.
  - B. Increase the cyclical unemployment.
  - C. Both A and B are accurate.
  - D. None of the above is accurate.

6. An app called Workinder that automatically collects all the job openings and the profiles of candidates, proposes potential matches and automatically arranges interviews when both parties agree on the match should be expected to cause which of the following?
- A. Decrease the frictional unemployment.
  - B. Decrease the cyclical unemployment.
  - C. Both A and B are accurate.
  - D. None of the above are accurate.
7. What is going to be the effect on Singapore's unemployment rate if the government increases the amount of time that men are required to serve in the armed forces?
- A. Increase the rate of unemployment.
  - B. Not affect the rate of unemployment.
  - C. Decrease the rate of unemployment.
  - D. There is not sufficient information to answer.
8. What is going to be the effect on the unemployment rate if technological improvement makes the workforce more productive?
- A. Increase the rate of unemployment.
  - B. Not affect the rate of unemployment.
  - C. Decrease the rate of unemployment.
  - D. The effect on the rate of unemployment may be in either direction.
9. At the market clearing wage, the unemployment rate in the economy will be which of the following?
- A. Equal to the natural rate of unemployment.
  - B. Equal to the difference between the labor market capacity minus the employed workers.
  - C. Equal to the frictional rate of unemployment.
  - D. Zero.
10. Justin recently received a Master's in Robotics and he is currently working as a waiter at a restaurant while he is looking for a better job in his field. Which of the following is accurate?
- A. Justin belongs to the labor force.
  - B. Justin is unemployed.
  - C. Both A and B.
  - D. None of the above is accurate.
11. Harut was working as a waiter making 800 euros per month. Last month, he convinced his boss to fraudulently file paperwork that she has fired Harut, so that Harut could collect 300 euros per month in unemployment benefits. In exchange, Harut continues working at the restaurant for 650 euros per month "under the table". Which of the following is accurate?
- A. Schemes such as Harut's tend to cause an upward bias to the unemployment index.
  - B. Schemes such as Harut's tend to cause a downward bias to the unemployment index.
  - C. Schemes such as Harut's do not affect the unemployment index.

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**Scenario 11.1:** *If Singapore dedicates all its resources to the production of olive oil, it can produce 100 tons. If it dedicates all its resources to produce banking services, it can produce 180 units; If Greece dedicates its resources in the production of olive oil it can produce 120 tons. If it dedicates all its resources in the production of banking services it can produce 90 units.*

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12. According to scenario 11.1, compute the opportunity costs for the production of each good for Singapore.
- A. 1 ton of olive oil costs 1.8 units of banking; 1 unit of banking costs 0.56 tons of olive oil.
  - B. 1 ton of olive oil costs 0.75 units of banking; 1 unit of banking costs 1.33 tons of olive oil.
  - C. 1 ton of olive oil costs 1.8 units of banking; 1 unit of banking costs 1.33 tons of olive oil.
  - D. 1 ton of olive oil costs 0.75 units of banking; 1 unit of banking costs 0.56 tons of olive oil.
13. According to scenario 11.1, compute the opportunity costs for the production of each good for Greece.
- A. 1 ton of olive oil costs 1.8 units of banking; 1 unit of banking costs 0.56 tons of olive oil.
  - B. 1 ton of olive oil costs 0.75 units of banking; 1 unit of banking costs 1.33 tons of olive oil.
  - C. 1 ton of olive oil costs 1.8 units of banking; 1 unit of banking costs 1.33 tons of olive oil.
  - D. 1 ton of olive oil costs 0.75 units of banking; 1 unit of banking costs 0.56 tons of olive oil.
14. According to scenario 11.1, which of the following is accurate?
- A. Singapore has the absolute advantage in banking.
  - B. Singapore has the absolute advantage in olive oil.
  - C. Singapore has the absolute advantage in the production of both goods.
  - D. Singapore does not have the absolute advantage in the production of any of the goods.
15. According to scenario 11.1, which of the following is accurate?
- A. Greece has the absolute advantage in banking.
  - B. Greece has the absolute advantage in olive oil.
  - C. Greece has the absolute advantage in the production of both goods.
  - D. Greece does not have the absolute advantage in the production of any of the goods.
16. According to scenario 11.1, which of the following is accurate?
- A. Singapore has the comparative advantage in banking.
  - B. Singapore has the comparative advantage in olive oil.
  - C. Singapore has the comparative advantage in the production of both goods.
  - D. Singapore does not have the comparative advantage in the production of any of the goods.
17. According to scenario 11.1, which of the following is accurate?
- A. Greece has the comparative advantage in banking.
  - B. Greece has the comparative advantage in olive oil.
  - C. Greece has the comparative advantage in the production of both goods.
  - D. Greece does not have the comparative advantage in the production of any of the goods.
18. According to scenario 11.1, which of the following is accurate?
- A. Singapore has the absolute advantage in the production of both goods.
  - B. Greece has the absolute advantage in the production of both goods.
  - C. Singapore has the comparative advantage in the production of both goods.
  - D. Greece has the comparative advantage in the production of both goods.
  - E. None of the above.

19. According to scenario 11.1, would it be possible for the two countries to trade if the terms of trade were 1 ton of olive oil to 1 unit of banking services?
- A. No, because Singapore would not benefit.
  - B. No, because Greece would not benefit.
  - C. Yes, because both would benefit.
  - D. We do not have sufficient information to answer.
20. According to scenario 11.1, would it be possible for the two countries to trade if the terms of trade were 1.5 tons of olive oil for 1 unit of banking?
- A. No, because Singapore would not benefit.
  - B. No, because Greece would not benefit.
  - C. Yes, because both would benefit.
  - D. We do not have sufficient information to answer.

*Good afternoon! As this is the last time I am sharing my thoughts with you here, I am not sure what is of substantial value to write for the end. Looking back on the past year, I understand that I pushed you a little harder than you expected. If this scared you or frustrated you at times, I sincerely apologize. I did it out of respect. The Persian poet Saadi once wrote: "No one throws stones on fruitless trees." In this course, my TAs and I made the conscious decision to treat you as winners, as individuals with potential, as future game-changers. Not once we tried to make economics easier for you – what we tried instead was to make YOU better, so you would become able to keep up with the material as students at the world-class level are supposed to. In your life, you will never improve unless (a) you learn to cope with the constructive criticism of your teachers and mentors; and (b) unless you are pushed to step outside of your comfort zone. Those of you who cared, walked a long way in this course. If you go back and revisit those tasks that a few months ago you used to consider hard, you will now smile. Yet, those tasks did not become any easier. Your brain became so much better at understanding them. From my side, I saw you learning, understanding and constantly improving. This was all that mattered to me and it makes me proud now that I see you go. Till the exam, keep doing your best in this course. Thank you for bearing with me and E&S for this term. I hope you will keep a pleasant memory from this course.*

*Kosmas*