

## HOMEWORK (BC Module)

# Who is in or out of the Labor Force?

1. James is 29, took time off for studying nature
2. Stephanie operates a profitable company producing purses at 15!
3. Mike just got reduced from full time to part time work
4. Amy is looking for work
5. Tim would like to work if someone gave him a job
6. Laura is making a lot of money and buys all kinds of things as she travels the world in the Navy
7. Rick finally found a job and is getting off welfare

# What is the Unemployment %?

- Full time workers: 189 million
- Not working but looking for work: 20 million
- Population: 300 million
- Part time workers: 11 million

# Okun's Law Math



Actual Unemployment = 3%

Actual Real GDP = \$ 16 Trillion

Using Okun's Law

(for every 1% gap between Real and Natural Unemployment there is a \_\_\_% gap between Real and Potential GDP)

Natural Unemployment of \_\_\_% (decided by Gov't)

$$\begin{aligned} & \underline{\quad\quad\quad}\% - \underline{\quad\quad\quad}\% = \underline{\quad\quad\quad}\% \text{ (gap between Real \& Natural Unemployment - } \mathbf{Unemployment\ Gap}) \\ & \quad \times \underline{\quad\quad\quad}\% \text{ (gap between Real and Potential GDP)} \\ & \quad \times \underline{0.01} \text{ (turn into a decimal number)} \\ & \quad \underline{\quad\quad\quad} \end{aligned}$$

$$\begin{aligned} & \times \underline{\quad\quad\quad} \text{ (Actual GDP)} \\ & \quad \underline{\$ \quad\quad\quad} \text{ [Target amount of Money needing to be spent/not spent in the} \\ & \quad \text{economy to get to potential (where economy should be) GDP)]} \end{aligned}$$

This \$            is the target spending increase [or decrease (*if negative*)] that must happen if we are to eliminate the       % unemployment gap and get our economy to where it should be (to get to our target number for spending - Potential GDP).