

① The four macroeconomic agents are households, firms, the government and the rest of the world. The three markets are the goods and services market, the labor market and the money market.

② Sticky price is when the price adjusts slowly to the equilibrium. The sticky price can be due to minimum wage policy, employment contract and labor union.

③ (1) Frictional unemployment

During the time when people are looking or switching jobs.

(2) Structural unemployment

Changes in the structure which can be due to technological change, geographical change, and labor preferences.

(3) Cyclical unemployment

When the result is directly from a recession in a business cycle.

(4) Seasonal unemployment

When the demand for a job changes according to the season.

④ 1) Frictional unemployment

2) Cyclical unemployment

3) Structural unemployment

4) Structural unemployment

5) Seasonal unemployment

6) Frictional unemployment

7) Structural unemployment

- ⑤ The unemployment rate =  $\frac{40}{100} = 0.4$   
We can't find the labor force participation rate because we need to know the working-age population.
- ⑥ The discouraged-worker effect is when people who want to work but they can't find any jobs. And they become discouraged and stop looking for jobs. The unemployment rate decreases when there is a discouraged-worker.
- ⑦ The unemployment rate will be increased which most directly affects frictional unemployment.
- ⑧ Inflation is when the price level increases. Inflation reduces one's purchasing power when the worker wage is fixed. However, the case where inflation may not be bad is when the workers get the wage according to inflation. Because when the wage and price rise together, this will not reduce the purchasing power of money.
- ⑨ Borrower is better off. Imagine that you are giving 50 baht to your friend. Then, inflation occurs and your friend gives money back to you after inflation. You will have the same amount of money from your friend but the value of money is lower than before.
- ⑩ Increase the interest rate.

$$p = r - \pi$$

$$\pi = \frac{150-120}{120} \times 100 = 25\%$$

$$\therefore r = i - \pi = 30 - 25 = 5$$

⑫ Because we need to print money to increase money supply.

⑬ (1) Menu cost

Changing the price lists.

(2) Shoe leather cost

When the interest rate is high and so people don't want to hold money outside the bank.

⑭

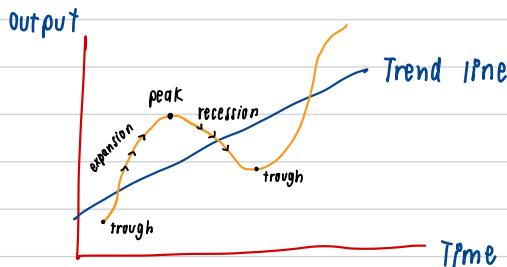
1) Expansion

2) Recession

3) Recession e.g. cut taxes

4) Expansion e.g. raise taxes

5) It depends on the quality and the quantity of factors of production.



⑩ Because the economy is in an expansion period in a business cycle which causes the employment and output to go up at the same time.