1) 1. Household 2. firm 3. government 4. The rest of the world

3 markets

1. goods & service 2. The labor market 3. The money market

2) sticky price is the price that adjusts slowly to equilibrium due to minimum wage or employment contract

3) 1. frictional unemployment
2. structural unemployment
3. cyclical unemployment
4. Seasonal unemployment

4) 1. frictional
2. cyclical
3. not in a labor force
4. structural
5. seasonal
6. frictional
7. structural

5) $\text{unemployment rate} = \frac{\text{unemployed}}{\text{Labor force}} = \frac{100-60}{100} = \frac{40}{100} = 40\%$

we can't find Labor force participant rate as population is needed.

6) Discourage - workers can mislead us into thinking that more people have their jobs. it make unemployment rate falls.

7) The unemployment rate of EU > US due to higher compensation.
The frictional unemployments are affacted directly.

8) - inflation is an increase in the overall price level.

- inflation doesn't always reduce someone's purchasing power because inflation raises both wage & price of goods.

- If your wage are fixed, inflation will reduce your purchasing power.

- the interest rate will be increse, so it is good for saver.

9) the lender is better off because the money lender got back the value is more than before.

10) the central bank will increas the interest rate.

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

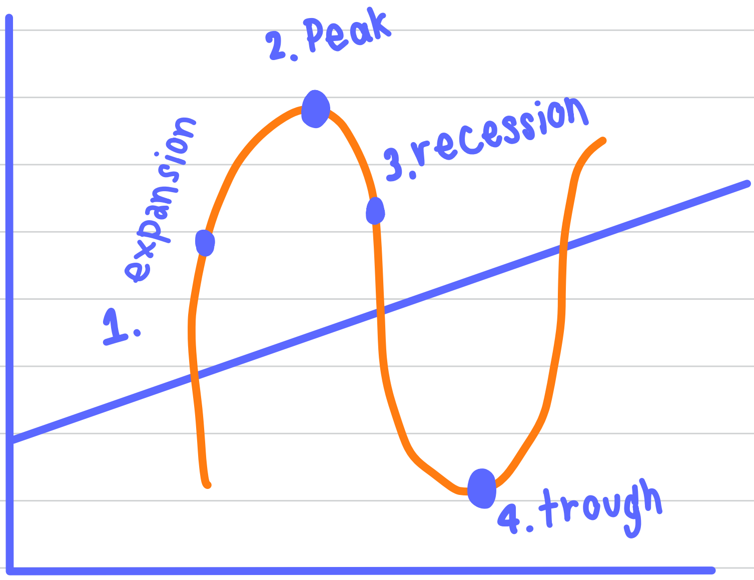
$i = r + \pi \qquad 30 = r + 25 \qquad r = 5$

$\therefore$ bank's real interest rate is 5 %

12) The central bank will print more money because A number of population is increased, so the money supplies inreased as well. people want to spend more, and the firm willing to spend more.

13) 1. menu cost : cost from changing prices by firms
2. shoe leather cost : the cost of time & effort that people expend because they don't want to hold cash.

14)



14.1 peak

14.2 trough

14.3 expansionary fisical policy is used during the recession and trough to boost the economy

14.4 Contraction fisical policy is used during the expansion and peak to slow down the business.

14.5 the trend line determined by quantity & quality of FOP.

15) When the worker active increasing at the annual rate the real output growth will also increasing because it is increase quantity of capital and labor.