

ECO 103, Winter 2015, Required Homework Assignment #3, Key

1. For January, U-3 was 5.7% and U-6 was 11.3%.
2. False, the U-3 rate of unemployment is distinct from the natural rate of unemployment and includes cyclical unemployment as well as frictional and structural unemployment. Most of the decline in U-3 has come from cyclical unemployment declining.
3. False. Table A-2 provides the unemployment rate broken down into different racial and age groups. One example is that the rate for white women over 30 is closer to 4%. For African Americans under 20, it is closer to 30%.?
4. Table A-12 shows these data. 31.5% of the unemployed have been unemployed for at least 27 weeks. Long term unemployment poses two major additional problems as compared to short run unemployment. First, the long term unemployed are more likely to have exhausted their unemployment benefits. Second, they suffer from real or perceived skill loss that makes it harder for them to re-enter the workforce.
5. This question is open ended. Students had little trouble finding sources. Most compared the U.S. to Western Europe noting that unemployment is lower in the U.S.
6. During the Great Recession, U-3 peaked at 10%. During the Great Depression, it peaked at 25%.