

Macro Module 11 Readings

(The attached PDF file has better formatting.)

Chapter 9: Capital Utilization and Unemployment (Module 11)

Read pages 149–155. Focus on key equation 9.4 on page 151 and equations 6.6 and 9.5 on page 155.

Read pages 155-169. The final exam tests the model for unemployment. Pages 155-159 describe the empirical data. Some results are obvious: for example, Figure 9.8 on page 158 shows that when employment is high, real GDP is high (a correlation of 88%).

Pages 159-169 is model of unemployment. Unemployment is a contentious topic. You hear about voluntary unemployment, involuntary unemployment, structural unemployment, natural unemployment, and other varieties. But it is hard to distinguish voluntary from involuntary unemployment, and the model in this textbook does not try to do so.

Focus on the job finding rate, the job separation rate, and the effects of unemployment insurance. The homework assignment deals with seasonal fluctuations, as discussed in “Back to Reality” on page 165.

Review Question B7 on page 170. The final exam tests how various government programs, such as unemployment insurance, affects the natural unemployment rate. Politicians once denied that these programs have the effects described in this chapter. Now France and Germany are trying to reform their social programs and unemployment benefits to reduce their unemployment rates.

Review Question B.8. The homework assignment considers seasonal unemployment, by algebra and by Excel's solver built-in function.