1. Classify each of the following according to labor market classification in the Current Population Survey (employed, unemployed or not in the labor force):
   a) Elizabeth Lloyd reported to the interviewer that last week she worked 40 hours as a sales manager for the Western Beverage Company.
   b) Steve Hogan lost his job when the local plant of the Chariot Aircraft Manufacturing Company was closed down. Since then, he has been visiting the personnel offices of the other factories in the town trying to find a job.
   c) Linda Coleman is a homemaker. Last week, she was occupied with her normal household chores. She neither held a job nor looked for a job.

2. Suppose that the Bureau of Labor Statistics reports the following data (in thousands) for October -- labor force: 142,000; employment: 133,500; working-age population: 212,000
   a) Calculate for that month the unemployment rate and the number of people classified as “not in the labor force.”
   b) Suppose that economists estimate that frictional unemployment is 3% and structural unemployment is 1%. According to these estimates, what is the natural rate of unemployment and what is the rate of cyclical unemployment during October?

3. What crucial assumption about the nature of the productivity of labor implies that the aggregate demand for labor is negatively related to the real wage? Explain. What crucial assumption about the value of leisure implies that the aggregate supply of labor is positively related to the real wage? Explain.

4. Use the model of the aggregate labor market with flexible wages to predict the effects on real wages and employment of the following:
   a) new advances in robotics enhance the productivity of assembly-line workers.
   b) the US government passes a law that has the effect of reducing immigration of skilled workers into the US.
   c) leisure becomes more valuable to workers.

5. Headlines proclaim that a severe shortage of nurses threatens health care. If indeed there is a shortage in the market for nurses, what would you predict will happen to the wages paid to nurses (at least in the long-run), and why?