+ Actively looking for a job within 4 weeks including the reference week
+ Waiting to start a new job within 4 weeks (starting at the end of reference week)

- **Employed:**
  + work at least 1hr in the reference week
  + have a job and only temporarily absent

- **Underemployed workers:**
  + Employed
  + Want more hours working

- **Marginally attached workers:**
  + Currently neither working nor looking for a job
  + Available for a job
  + Did look for a job in the recent past

- **Discouraged workers:**
  + Marginally attached workers
  + Stop looking for a job
<table>
<thead>
<tr>
<th>Frictional unemployment</th>
<th>Structural unemployment</th>
<th>Cyclical unemployment</th>
<th>Natural unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Unemployment caused by the normal labour turnover – from people entering and leaving the labour force + ongoing creation and destruction</td>
<td>- Tech changes + foreign competitions =&gt; change skills needed for work + location</td>
<td>- The higher than normal unemployment at business cycle trough + lower than unemployment at business cycle expansion: Cyclical unemployment</td>
<td>- Natural unemployment rate</td>
</tr>
<tr>
<td>- Increase in the number of ppl entering and re-entering the labour market + the benefits from unemployment =&gt; raise frictional unemployment</td>
<td>- Last longer than Frictional unemployment</td>
<td></td>
<td>- Frictional + structural unemployment / no cyclical unemployment ⊨ Economy is at FULL employment</td>
</tr>
<tr>
<td>- Permanent and healthy phenomenon of growing economy</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Labour force = Unemployed + employed workers
- Unemployment rate = Unemployment/ labour force
- Employment – to – population ratio = employment/ working – age – population
- Labour force participation rate = Labour force/ working – age – population
- **Reserve ratio**: the fraction of total deposits bank holds as reserve

- **Desired reserve**: Reserves bank wants to hold > Required reserves (the minimum amount bank must hold)

- **Excess reserve**: actual reserve – desired reserve

- **Desired currency holding**: Money held as currency or bank deposits

- **Currency drain**: The leakage of bank reserves into currency (more deposits -> more desire to hold currency) = \( \frac{\text{Currency}}{\text{Deposits}} - \text{currency drain ratio} \)

### 21. Money creation process

System creates money by making loans.

*** When bank makes loan and creates deposits, the extra deposits lower excess reserves (actual reserve – desired reserve) for 2 reasons:

- Increase in deposits -> increase in desired reserves
- The currency drain decreases total reserves

### 22. Money multiplier

- Determines the change in quantity money that leads to the change in money base

- It’s a Ratio \( \frac{\Delta \text{Quantity of money}}{\Delta \text{Monetary base}} = \text{money multiplier} \)

  + The quantity of money depends on: reserve ratio and currency drain => the smaller these equations, the larger money multiplier

### 23. Money market

  a. Influences on money holding (4)
Aggregate expenditure curve | Aggregate demand curve
--- | ---
Aggregate expenditure + RGDP | Price level + RGDP

32. Government budget and fiscal policy

a. Purpose
- Finance government activities
- Achieve macroeconomic goals

b. Government budget sources
   - Revenue sources
     - Tax on individuals
     - Tax on companies
     - Indirect and other taxes
     - Non-tax revenue
   - Expenditure items
     - Transfer payments
     - Expenditure on goods and services
     - Debt interest and other payments

c. Supply – side effect
   - The influence of fiscal policy on employment, potential GDP and aggregate supply
   - Tax wedge: the gap between before – tax and after – tax wage rate
   - Laffer curve: the relationship between tax rate and tax revenue

d. Fiscal stimulus (2 types)
   - Use of fiscal policy to increase production and employment
   - Focus on AD
     * Automatic policy: without government action