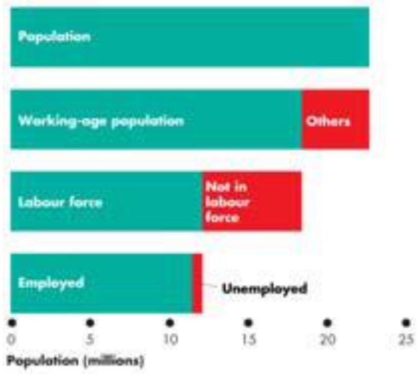
+ Actively looking for a job within 4 weeks including the reference week
+ Waiting to start a new job within 4 weeks (starting at the end of reference week)



- <u>Employed:</u>
  + work at least 1hr in the reference week
  + have a job and only temporarily absent
- <u>Underemployed workers</u> :
  + Employed
  + Want more hours working
- <u>Marginally attached workers:</u>
  + Currently neither working nor looking for a job
  + Available for a job
  + Did look for a job in the recent past
- <u>Discouraged workers:</u>
  + Marginally attached workers
  + Stop looking for a job

Frictional unemployment	Structural unemployment	Cyclical unemployment	Natural unemployment
- Unemployment caused by the normal labour turnover – from people entering and leaving the labour force + ongoing creation and destruction - Increase in the number of ppl entering and re-entering the labour market + the benefits from unemployment => raise frictional unemployment - Permanent and healthy phenomenon of growing economy	- Tech changes + foreign competitions => change skills needed for work + location - Last longer than Frictional unemployment	- The higher than normal unemployment at business cycle trough + lower than unemployment at business cycle expansion : Cyclical unemployment Ex; worker laid off – recession => rehired - expansion	- Natural unemployment rate - Frictional + structural unemployment / no cyclical unemployment ⇨ Economy is at FULL employment

- 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

- **Labour force = Unemployed + employed workers**

- **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) = $\frac{Currency}{Deposits}$ – **currency drain ratio**

21. Money creation process

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

- 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 $=\frac{\Delta Quantity\ of\ money}{\Delta Monetary\ base}$ = 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)

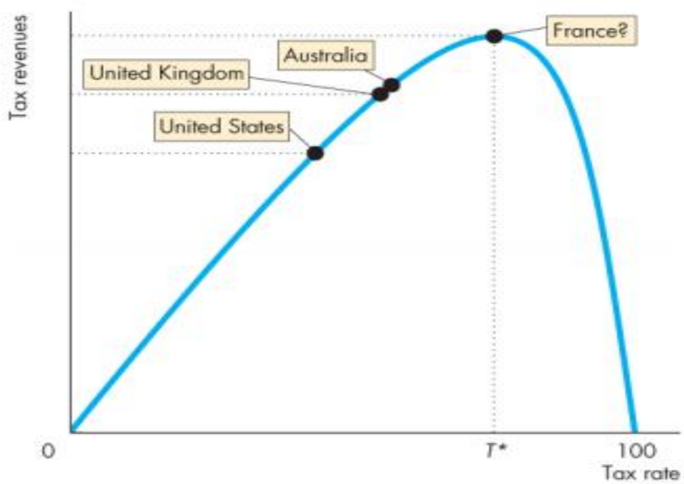
Aggregate expenditure curve	Aggregate demand curve
Aggregate expenditure + RGDP	Price level + RGDP

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