

**Econ\_101\_Spring 2007\_IVY Tech College**  
**Chapter\_11: Sample Questions\_Solutions**

5. Why is the natural rate of unemployment always positive?  
**The natural rate of unemployment includes frictional and structural unemployment that result from the natural workings of the labor market.**
6. When oil prices increased sharply in the 1970s, some businesses were affected much more adversely than others. Explain why some economists believe that the oil price increase led to higher frictional unemployment.  
**When oil prices rose, people were laid off in the 1970s. If those people took time to find new employment opportunities, they were considered frictionally unemployed.**
7. A country reports a price index of 55 in 1990 and 60 in 1991. What is the inflation rate between 1990 and 1991?  
 **$9.1\% = 100 * (60 - 55) / 55$**
8. A job paid \$3,000 in 1960. The CPI in 1960 was 29.3 compared to 164 in 1999. What salary would be comparable in real terms in 1999?  
 **$3000 / 29.3 = ? / 164 \Rightarrow ? = 164 * 3000 / 29.3 = 16791.81.$**