9 Growth and unemployment – Part 2

Name: _____ Class: _____ Date: _____

Vocabulary

Write each word three times.

English	**Write it 3 times** (English)		
Economic growth			
potential output			
output gap			
sustainable growth			
unemployment			
frictional			
structural			
cyclical			
seasonal			

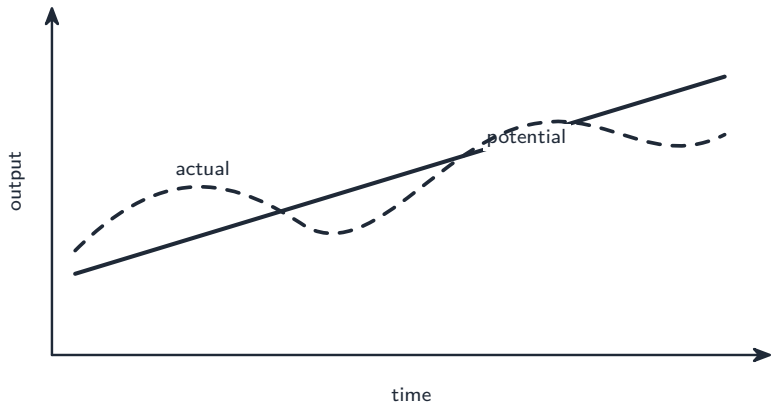
Recall

Economic growth is a rise in real output. But the economy does not grow smoothly, and not everyone has a job.

New ideas

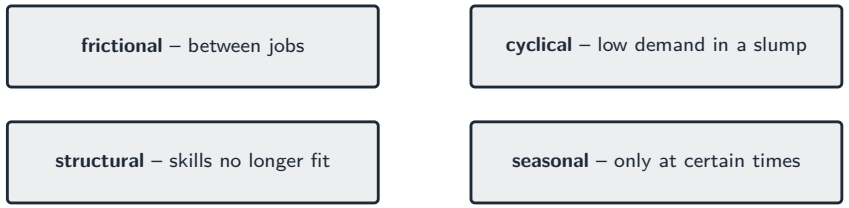
Read these first, then do the Practice.

1 The output gap



- **potential output** is what the economy *can* make at full capacity;
- the **output gap** is the difference between actual and potential output (above → inflation risk; below → spare capacity);
- **sustainable growth** meets today's needs without harming future generations.

2 Types of unemployment



unemployment comes in types: **frictional** (between jobs), **structural** (skills no longer fit), **cyclical** (low demand in a slump), **seasonal** .

Watch out: the output gap is actual − potential output: *above* potential → inflation risk; *below* → spare capacity (and unemployment). Learn the four unemployment types – frictional, structural, cyclical and seasonal.

Practice

Try these in order.

9.6 What is *potential output*? [1]

9.7 What is the *output gap*? [1]

9.8 What is *sustainable growth*? [1]

9.9 A worker is briefly between two jobs. Which type of unemployment is that? [1]

9.10 Which type of unemployment rises in a recession? [1]

9.11 Challenge. A ski resort lays off most of its staff every summer when there is no snow. Name this type of unemployment and explain it. [2]