2 Unemployment, inflation, and the business cycle – Part 2

Name: ____________ Class: ________ Date: __________

Vocabulary 词汇

Write each word three times. 把每个单词抄写三遍。

English	中文	Write it 3 times (English)		
unemployment rate	失业率			
Inflation	通货膨胀			
consumer price index (CPI)	消费者价格指数			
business cycle	经济周期			

Recall

You hear these words in the news all the time:

- **Unemployment** –people who want a job but cannot find one.
- **Inflation** –prices rising over time.
- The economy has good years and bad years.

This sheet makes these measures exact. Each idea has a worked example.

New ideas

■ 1 Unemployment

The **labor force** is the employed plus the unemployed (those without work who are actively looking). The **unemployment rate** 失业率 is

$$\frac{\text{unemployed}}{\text{labor force}} \times 100\%.$$

frictional short-term, between jobs	**structural** skills no longer match the jobs	**cyclical** low demand in a recession

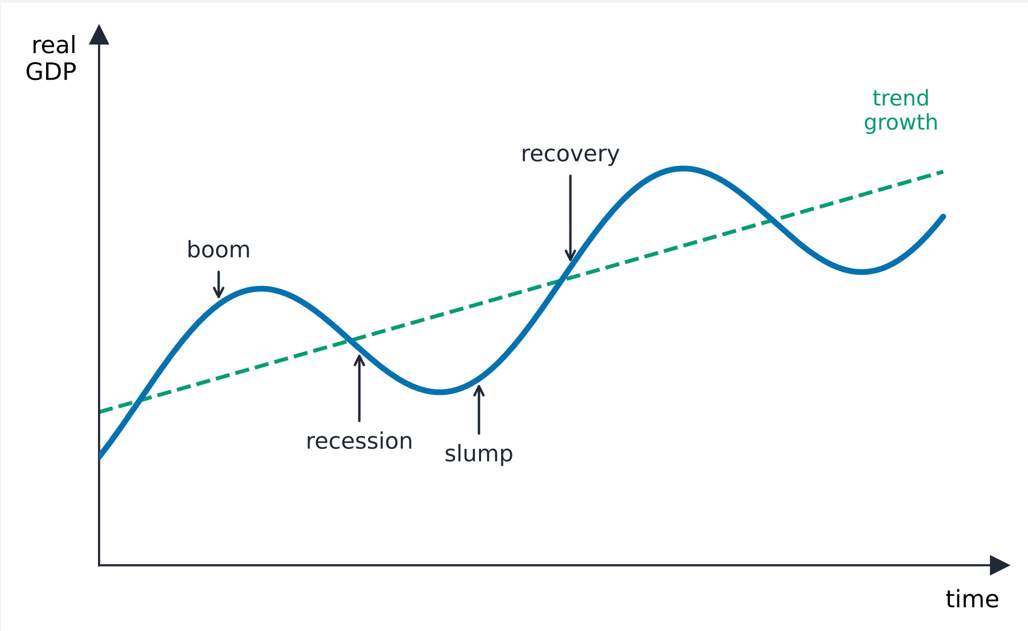
Worked example. With 9 million unemployed and a labor force of 150 million: rate $= \dfrac{9}{150} \times 100\% = 6\%$.

2 Inflation and the CPI

Inflation 通货膨胀 is a sustained rise in average prices, measured by the **consumer price index (CPI)** 消费者价格指数. The inflation rate is the percent change in the CPI.

Worked example. If the CPI rises from 200 to 210, the inflation rate is $\dfrac{210 - 200}{200} \times 100\% = 5\%$.

3 The business cycle



The **business cycle** 经济周期 is the economy's ups and downs: expansion (growth) up to a peak, then contraction (recession) down to a trough, then recovery.

4 The trade-off

Unemployment and inflation tend to move in **opposite** directions over the cycle – high in a recession, low in a boom.

Watch out: someone who has **stopped looking** for work is **not** counted as unemployed –they leave the labor force. This is why the unemployment rate can understate the real problem.

Practice

Try these in order. The methods are all above.

2.1 State who is counted in the labor force. [2]

2.2 A country has 8 million unemployed and a labor force of 100 million. Find the unemployment rate. [2]

2.3 The CPI rises from 150 to 159. Find the inflation rate. [3]

2.4 Name the four stages of the business cycle in order. [2]

2.5 Explain why the unemployment rate can understate the true level of joblessness. [2]