

4 Unemployment and inflation – Part 2

Name: _____ Class: _____ Date: _____

Vocabulary

Write each word three times.

English

Write it 3 times (English)

Unemployment

Inflation

Recall

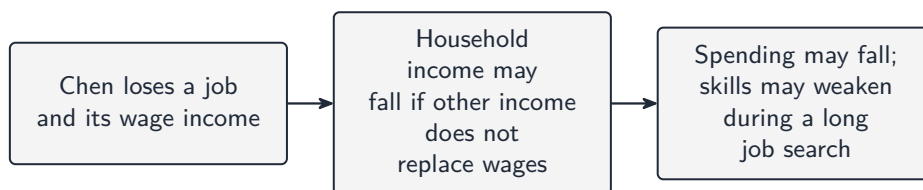
Two common economic problems are unemployment and inflation.

New ideas

Read these first, then do the Practice.

■ 1 Unemployment

Unemployment is people who want a job but cannot find one:



Government may collect less income tax and spend more on support.
Unused labour can mean lost potential output.

It is a problem because the economy makes less, and those people have less income.

■ 2 Inflation

Inflation is a general rise in prices over time:



High inflation is a problem because money buys less than it did before.

Watch out: unemployment is people who *want* a job but can't find one – it means lost output and lost income. **Inflation** is a *general rise in prices*, so money buys less over time.

Practice

Try these in order.

4.6 What is *unemployment*? [1]

4.7 Give one reason unemployment is a problem. [1]

4.8 What is *inflation*? [1]

4.9 Why is high inflation a problem? [1]

4.10 If prices rise by 5% in a year, what is the inflation rate? [1]

4.11 Challenge. A worker's wage rises by 3% in a year when inflation is 5%. Explain whether the worker is better or worse off. [2]