

Name: _____

Saunders/Mrs. McNerney

Date: _____

Eco and Gov/ _____

Do Now: What is the labor force?

Employment: Notes 1

Types of unemployment

- **Frictional Unemployment:** When people take _____ to find a job.
 - Example: When someone is _____, changes jobs, or need time to find a job after _____ from school.
- **Structural Unemployment:** When workers' _____ do not match what jobs are available for (structure of) the _____ economy.
- Causes of Structural Unemployment:
 - New _____
 - New _____
 - _____ in Consumer Demand
 - _____ - Shift to foreign markets
 - _____ of Education
- **Seasonal Unemployment:** When industries _____ or shut down for a season of the year to make _____ shifts in production schedules and people _____ their jobs.
 - Examples: When people who sell Halloween costumes or Christmas _____ are out of a job because the holiday has _____.
- **Cyclical Unemployment:** Unemployment that goes _____ during times of economic _____, and goes _____ during times of economic _____.
 - Examples: A _____ causes people to save more and spend _____, because of this companies may slow down _____ and lay off workers.

The unemployment rate

- The _____ of unemployment is a great way to _____ the health of your economy.
- The Unemployment Rate is the _____ of a nation's labor force that is _____.
- The Labor Force is _____ every citizen.
- The Labor Force is made up of _____ 16 and older who either have a job or are actively _____ for a job.
- The Unemployment Rate is _____ to account for seasonal unemployment so that it is more _____ reflective of the health of the economy.
- **Calculating the unemployment rate**
- To find the Unemployment Rate, we use the following equation:
 - $$\frac{\text{\# of people Unemployed}}{\text{\# of people in the civilian Labor Force}} \times 100$$
- For Example, if there are 7 million unemployed people. And there are 150 million people in the civilian labor force, we have the following rate of Unemployment:
 - $$\frac{7 \text{ million}}{150 \text{ million}} = .047 \quad .047 \times 100 = 4.7\% \text{ Unemployment}$$

Goal: Full employment

- Zero Unemployment is always _____ in a market economy.
- But we _____ for Full Employment where no cyclical unemployment _____ in the economy.
- An unemployment rate of about _____ percent is _____ during full employment.

Aspects of Full employment

- Full Employment means _____ who wants a job has a job.
- But some of those people may be _____ meaning they are working at a job _____ their skillset.
 - Example: An individual with a Master's degree, unable to find work in their field, and settling for a job at ShopRite.
- Additionally, some people _____ trying to find work, especially during a long recession.
- When people stop _____ for jobs and rely on other means to sustain themselves, they are _____ a Discouraged Worker.
- These people are NOT _____ seeking a job and are therefore not included in the _____ Rate.
- If _____ and Discourage Workers were _____ in the Unemployment Rate, it would be much higher.

Classwork: Answer the following questions in COMPLETE sentences.

1. What are the different types of unemployment?

2. What is the unemployment rate?

3. How do you calculate the unemployment rate?

4. What are aspects of full employment?

5. What is underemployed and discourage workers?

6. _____ What will most likely still occur when the economy has achieved full employment?

- frictional, seasonal, and cyclical unemployment
- seasonal, structural, and cyclical unemployment
- frictional, seasonal, and structural unemployment
- none of the above

7. _____ If there were a recent downturn in the economy and some economists predicted a recession in the near future, then there is a strong possibility that there will be a

- rise in frictional unemployment
- fall in structural unemployment
- rise in structural unemployment
- rise in cyclical unemployment

8. _____ Unemployment that occurs when workers' skills do not match the jobs that are available is called

- Frictional unemployment.
- Seasonal unemployment.
- Structural unemployment.
- Cyclical unemployment.

9. _____ Unemployment that occurs as a result of harvest schedules or vacations, or when industries slow or shut down during a certain time of year is referred to as
- Frictional unemployment.
 - Seasonal unemployment.
 - Structural unemployment.
 - Cyclical unemployment.
10. _____ An official count of the population is the
- Unemployment rate.
 - Full employment.
 - Underemployed.
 - Census.

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Do Now: What are the aspects of full employment?

Inflation: Notes 1

- Inflation is an _____ in the overall level of prices.
- Inflation is not an increase in the price of a _____ good or service relative to the prices of other _____ and _____.
- Is a problem because it _____ a consumer's ability to _____ goods and services
- The government _____ the inflation rate.
- _____ particularly hurts people on _____ incomes: retired people do not get wage raises.

Deflation

- _____ is a fall in the _____ level of prices.
- _____ to the economy

Measuring the Price Level

- Use a price _____ that measures the cost of a fixed market basket of goods _____ to the cost of the same basket in a _____ year.
- Examples:
 - _____ Price Index (CPI) – BLS
 - _____ Deflator – BEA
 - Personal Consumption _____ Price Index – BEA

Nominal vs. Real Variables

- _____ variables are measured using _____ prices
- _____ variables have been _____ for inflation by using prices from a base year.
- Examples
 - Real _____
 - Real _____
 - Real _____ rate

Rate of Inflation

- Shows the _____ of prices over time.
- Rate of inflation is the _____ rate of change in a price index.
- Rate of inflation = $(PI_2 - PI_1) / PI_1$

Costs of Unexpected Inflation

- _____ of wealth
 - Creditors / Debtors and Employees (on contract) / Employers
- Interference with _____ planning
 - Future purchasing power is uncertain
- "Noise" in the _____ system
 - Information conveyed by prices becomes difficult to interpret
- Shoe leather _____
 - Time and effort spent to minimize the effect of inflation
- _____ of the tax system
 - "Bracket creep" and future value of depreciation allowances

Hyperinflation

- _____ monetary growth → hyperinflation
- Examples

- Nicaragua (1988) – 33,000% inflation
- Germany (1923) – 102 million% inflation
- Hungary (1945) – 3.8×10^{27} % inflation
- Harm of inflation is _____.

Causes of Inflation

- _____
 - Too much money _____ too few goods
 - “Inflation is always and everywhere a _____ phenomenon...” (Milton Friedman)
- _____
 - Expectations
 - _____ demand
 - Supply _____

Classwork: Answer the following questions in COMPLETE sentences.

1. What is inflation and why does inflation concern consumers?

2. What economic forces lead to inflation?

3. _____ The theory that inflation occurs when producers raise prices in order to meet increased costs is the
 - a. Demand-pull theory.
 - b. Cost-push theory.
 - c. Quantity theory.
 - d. Wage-price spiral.
4. _____ The theory that too much money in the economy causes inflation is referred to as the
 - a. Demand-pull theory.
 - b. Cost-push theory.
 - c. Wage-price spiral.
 - d. Quantity theory.
5. _____ Inflation that is out of control is referred to as
 - a. Hyperinflation.
 - b. Deflation.
 - c. The wage-price spiral.
 - d. The core inflation rate.
6. _____ A measurement that shows how the average price of a standard group of goods changes over time is referred to as the
 - a. Market basket.
 - b. Inflation rate.
 - c. Price index.
 - d. Core inflation rate.