SSEMA1 Unemployment, Inflation, CPI Notes

SSEMA1: The student will illustrate the means by which economic activity is measured.
a. Define GDP, economic growth, unemployment, CPI, inflation, stagflation, and aggregate supply and demand
b. Explain how economic growth, inflation, and unemployment are calculated
c. Identify structural, cyclical, and frictional unemployment

Section 1: Unemployment

- Labor Force
  - Labor force: _____ _____
    - Complete pool of _____
  - Who qualifies for the labor force? _____ _____
    - Over the age of _____
    - Not in the _____
    - Not in _____
    - Not living permanently in nursing homes or in another 'institution'
  - Who is not in the labor force?
    - Children under _____
    - _____
    - Homemakers
    - _____
    - Jailed or imprisoned
    - _____
- Employed
  - Employed: number of _____ who are working and _____ _____
    - _____ and _____ workers
    - _____ (entrepreneurs, sole proprietors)
    - Unpaid workers in a _____
    - People on leave of _____ (maternity, illness, etc.)
- Unemployed
  - Unemployed: _____ _____
    - Looking for work within the past _____
  - Types of unemployment
    - 1. Frictional unemployment: _____ _____
      - _____ in the economy
      - Resulting from _____ transitions made by workers and employers
      - When people move in order to find a _____
      - Someone _____ and looks for a job
      - Stay at home parent goes _____

- 2. Seasonal unemployment: occurs as a result of _____ _____
    - White Water _____
    - Retail workers during _____
- 3. Structural unemployment: _____; workers skill do not match the jobs _____
    - Jobs that no longer exist and _____
    - Building a new _____
    - Machines replacing workers
    - Jobs sent to other countries (_____)
- 4. Cyclical unemployment: _____ _____
    - Caused by changes in the _____
    - Contractions = _____
    - Expansions = _____

- Natural Rate of Unemployment
    - Natural rate of unemployment: _____ _____
        - July 2008—_____
        - The unemployment rate in the US was reported as _____ in September 2013
        - From 1948 until 2010 the US unemployment rate averaged _____
- Full employment
    - Full employment is at the _____(5-6%)
    - Zero unemployment is not an achievable goal
        - Unemployment rate in the early 2000s of _____ was indication of economy dealing with inflationary conditions; over-performing economy
- Underemployed and Discouraged Workers
    - Underemployed workers: working for a job for which one is _____ _____
    - Discourage workers: a person who wants a job _____ (do not count against unemployment rate)
        - _____
- Unemployment examples:
    - 1. Is your retired grandfather unemployed? _____
    - 2. Is a woman that stays at home with her kids unemployed? _____
    - 3. A thief serving time in prison lost his job when he was convicted. Is he unemployed? _____
    - 4. An aunt serving in the Armed Forces is posted in Iraq. Is she unemployed? _____
    - 5. Is a full-time college student who is looking for a job unemployed? _____
    - 6. Are you unemployed? _____

Unemployed	**Type of Unemployment**
1. A computer programmer is laid off because of a recession.	
2. A literary editor leaves her job in New York to look for a job in San Francisco.	
3. An unemployed college graduate is looking for his first job.	
4. Advances in technology make the assembly-line worker's job obsolete.	
5. Slumping sales lead to a cashier being laid off.	
6. Workers are laid off when the local manufacturing plant closes because of a downturn in the economy.	
7. A high school graduate lacks the skills necessary for a particular job.	
8. Summer ends and local teens lose their jobs.	

- Labor Force = _____ + _____
  - January 2012
  - Employed: 141.2 million
  - Unemployed: 12.8 million
  - _____ + _____ = _____

- Unemployment Rate = number of _____ divided by _____ multiplied by 100
  - _____ x 100
  - January 2012: _____ x 100 = _____

- Labor force participation rate: percentage of _____ that is participating in the labor force
  - _____ x 100
  - January 2012: _____ x 100 = _____

- Calculating the Unemployment Rate
    - Use the formula to calculate unemployment rate:
        - _____ x 100
    - 1. 2006, number of people unemployed = 9.4 million
      Number of people in the labor force = 147.1 million

      _____ x 100 = _____
    - 2. In 2012, unemployed = 11.5 million
      labor force = 154 million

      _____ x 100 = _____

Review - Unemployment Statistics

The country of Maraland has collected the following information:

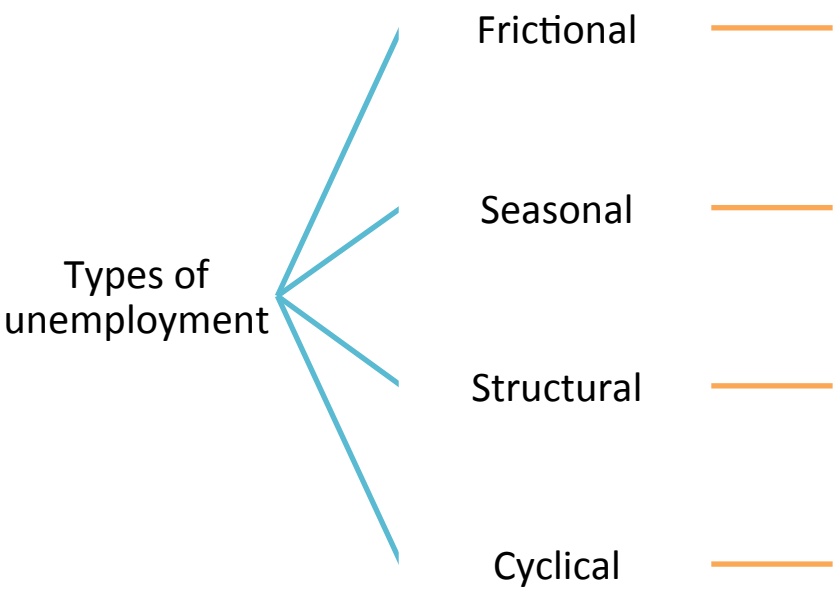
Adult Population 240,000
Employed 180,000
Unemployed 30,000

Determine the following:

1. Labor Force = _____ + _____ = _____

2. Unemployment rate = _____ x 100 = _____

3. Labor force participation rate = _____ x 100 = _____



Section 2: Inflation

- Inflation
  - Inflation: a general and sustained _____, causes money to hold less value
  - Inflation rate: percentage change in _____ _____
    - Normal, "healthy" rate is about _____
    - From 1914 until 2010, the average inflation rate in US was _____
  - Causes of Inflation
    - Quantity Theory: _____ in the economy causes inflation
      - Ideally, the _____ should increase at the same rage of growth in _____
      - Example: Ducktown or Germany between the wars
    - Demand-Pull Theory: inflation occurs when _____ for goods and services exceeds existing _____
    - Cost-Push Theory: inflation occurs when _____ raise prices in order to meet increasing costs of _____

Section 3: CPI

- Consumer Price Index (CPI)
  - Consumer price index: an index used to measure _____; measures the overall costs of goods and services bought by _____
    - Computed each month by the Bureau of Labor Statistics (BLS), part of the _____
  - Market basket: metaphorical object to _____ purchased by an urban consumer on a _____

        - The BLS fixes the basket of goods and services to _____
        - Derived of more than _____ arranged into eight major groups
        - What would be in your market basket?
    - Determining CPI

        - CPI = _____ x 100

        - Base period is between 1983-1984: $1,792
        - Market basket 2012: $4114.32

        - _____ x 100 = _____

        - _____ - 100 = _____

        - Prices have inflated _____ since (1982-1984)
    - Determining Inflation Rate

    - Inflation rate = _____ x 100

    - 2012 CPI – 229.59
    - 2007 CPI – 207.34

    - _____ x 100 = _____

    - Prices have inflated by _____ from 2007 to 2012
    - 2008 CPI – 215.30
    - 2007CPI – 207.34

    - _____ x 100 = _____

    - Prices have inflated by _____ from 2007 to 2008
- Purchasing Power and Inflation
    - Purchasing power: _____ _____
    - If you receive a 10% increase in pay from last year but prices have increased by _____, what is the result?
    - You are _____ worse off
    - Nominal wage increase of _____
    - Real wage decrease of _____
    - Your salary has to keep up with _____ or you are losing _____
        - Think about Duck Tales and Germany between the wars