

## **Chapter 7: The Macroeconomy: Unemployment and Inflation**

1. How is unemployment defined?
2. How does unemployment affect the total output of the US economy (e.g. how much output did the US lose due to a 2% rise in unemployment)?
3. What is the personal impact of being unemployed?
4. How is the unemployment rate defined?
5. Historically when was our lowest unemployment rate?
6. According to the chart, what has been our highest unemployment rate and when was it?
7. List three groups that are not counted as part of the labor force?
8. How is the unemployment rate calculated?
9. Which of the largest of the four categories of individuals who are without work?
10. In the last twenty-five years, what is the overall average duration that people are out of work?
11. Who are discouraged workers?
12. Define frictional unemployment:
13. Define seasonal unemployment
14. Define structural unemployment
15. Define cyclical unemployment
16. What rate of unemployment do economists consider as full employment today?
17. What is the natural of unemployment?
18. What types of unemployment does the natural rate include?

19. How is inflation defined?
20. How is deflation defined?
21. What is purchasing power?
22. How does inflation effect purchasing power?
23. What is a price index?
24. What is the formula for measuring a price index?
25. Define CPI
26. Define PPI
27. Define GDP Deflator?
28. How is the GDP deflator different from the CPI?
29. Look at the chart of price changes. List three historical periods of high inflation.
30. List two periods of price deflation
31. What is anticipated inflation?
32. What is unanticipated inflation?
33. How is the real rate of interest calculated?
34. What is the nominal interest rate?
35. Who loses from inflation?
36. Who gains from inflation?
37. How are people protected against inflation?
38. What is an expansion?
39. What is a contraction?
40. How is recession and depression defined?