Chapter 13: Economic Challenges
Unemployment

-Unemployment rate $\rightarrow$ most closely watched labor force statistic determined by the U.S. Bureau of the Census $\rightarrow$ Current Population Survey

-# of people unemployed divided by # of people in the civilian labor force then multiplied by 100

-Full employment $\rightarrow$ having an unemployment rate between 4 to 6 %
- **Underemployed** ➔ working at a job in which you are over-qualified

- **Discouraged worker** ➔ someone who wants a job but has given up looking for work. Do not appear in the unemployment rate.
4 Types of Unemployment

-fri**ctional** → people between jobs. Normal part of a market based economy

-Se**asonal** → occurs when industries slow or shut down for a season or make seasonal shifts in production

-struct**ural** → occurs when workers’ skills do not match the jobs that are available
  - new technology, changes in demand

-cyclical → occurs during economic downturns
**Inflation**

Aggregate Demand and Aggregate Supply

Inflation $\rightarrow$ a general increase in prices.

Diminishes purchasing power

**Causes of Inflation:**

- **Quantity theory** $\rightarrow$ too much money
- **Demand-Pull theory** $\rightarrow$ demand exceeds supply
- **Cost-push theory** $\rightarrow$ rising production costs lead to higher prices
- **wage-price spiral** \( \rightarrow \) (pg.342 Figure 13.7) rising wages cause higher prices and higher prices cause higher wages

*Measuring inflation*

- **Consumer Price Index** (CPI) \( \rightarrow \) measuring the price of a standard group of goods
  - **market basket** (pg.339 Figure 13.4)
- **Producer Price Index** (PPI)
- **Hyperinflation** → worst type of inflation, inflation rate at several hundred %

- **Deflation** → a general decrease in prices

- **Stagflation** → an economic downturn combined with raising prices
Ch.13 Section Reviews

Pg. 336 (1-6)

Pg. 343 (1-4)

Read Section 3 in Chapter

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