

Chapter 14

Economic Instability

What are **business cycles**?

How do economists define a **recession**?

What is a **peak** in the business cycle?

What is a **trough** of a business cycle?

How is **expansion** defined?

What is a **trend line**?

What is a **depression**?

List three causes of the Great Depression:

- 1.
- 2.
- 3.

Section 2 Unemployment

How does your text define unemployment?

What is the unemployment rate?

What are the two ways that the unemployment rate underestimates the real unemployment in a society?

Use your text to define and give an example of each of the five types of unemployment.

1. **Frictional Unemployment**

2. **Structural Unemployment**

3. **Cyclical Unemployment**

4. **Seasonal Unemployment**

5. **Technological Unemployment**

How do economists define **full employment**?

What unemployment rate is considered **full employment**?

Section 3: Inflation

What is **inflation**?

What is the **price level**?

What **indexes** are used to measure inflation?

What is the formula for calculating inflation?

According to your textbook, list four causes of inflation:

1.

2.

3.

4.

What impact does inflation have on the purchasing power of individuals?

How does inflation affect people's spending habits?

How does inflation impact borrowing and the housing industry?

How does inflation change the distribution of income in a society?

Which groups benefit from inflation?

Which groups are hurt by inflation?