# Business Cycles and Unemployment, GDP, Inflation

## Keywords

Define the keywords in your own words.

Business cycle: A cycle of economic expansion and contraction.

Growth trend: Economy’s long term growth in a country’s GDP

Peak: The real GDP at its highest point

Trough: The real GDP at its lowest point

Unemployment rate: The percent of workers that are unemployed.

## Note It and Think About It

Answer Note It and Think About It questions as you read.

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| Note It | Think About It |
| Look at the ups and downs of the business cycle over the past 70 years. The shaded areas are recessions— times when the economy slowed. Write a one-sentence observation about the changes in real GDP during the downs or recessions over this time period.  During recessions, the real GDP goes down.  Explain what happens within one business cycle—from peak to peak.  Within the peak to a peak of the business cycle, the GDP has to go down and back up. It goes through a recession and then an expansion.  Note the four types of unemployment and how to overcome or avoid each type.  Frictional – Applying for another job  Cyclical - Prepare for unemployment by stocking on resources  Structural – Government training programs  Seasonal – Apply for a new job during the winter |  |

## Keywords

Define the keywords in your own words.

Gross Domestic Product (GDP): It is the monetary value of all the goods and services produced and sold by a country.

Nominal GDP: GDP given in current prices, without adjustment for inflation

Real GDP (RGDP): GDP given in current prices, without adjustment for inflation

Real GDP per capita: A measure of the average income per person

## Note It and Think About It

Answer Note It and Think About It questions as you read.

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| Note It | Think About It |
| What are five characteristics of a healthy economy, when everything is working as it should?  *Participation, equity, growth, sustainability, and stability*  What are three areas that can cause a problem in the economy?  Lack of resources, human wants, alternative uses  What do the initials *GDP* stand for? What does the term mean?  Gross domestic product. It is the monetary value of all the goods and services produced and sold by a country. |  |
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## Keywords

Define the keywords in your own words.

Interest rate: The interest rate is the amount a lender charges a borrower and is a percentage of the principal

Inflation: Devaluation of currency

Purchasing power: A measure of how much goods and services a dollar can buy at a given time.

Nominal interest rate: The interest rate before taking inflation into account.

## Note It and Think About It

Answer Note It and Think About It questions as you read.

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| Note It | Think About It |
| Explain what interest is in your own words.  Interest is an added amount to whatever you owe  List three ways the Fed can lower interest rates at your local bank.  If they buy bonds, increasing the money supply, more funding  Explain what *inflation* is in your own words.  Inflation is the currency losing value  Describe those factors that go into determining the rate of interest lenders charge borrowers.  Credit, location, down payment, income, savings |  |