4 Measuring the economy – Part 2

Name: ______ Class: ______ Date: ______

Vocabulary 词汇

Write each word three times. 把每个单词抄写三遍。

English	中文	Write it 3 times (English)		
Economic growth	经济增长			
business cycle	经济周期			
boom	繁荣			
recession	衰退			
Unemployment	失业			
frictional unemployment	摩擦性失业			
structural unemployment	结构性失业			
cyclical unemployment	周期性失业			
Inflation	通货膨胀			
purchasing power	购买力			
consumer price index	消费者价格指数			
demand-pull inflation	需求拉动型通货膨胀			
cost-push inflation	成本推动型通货膨胀			

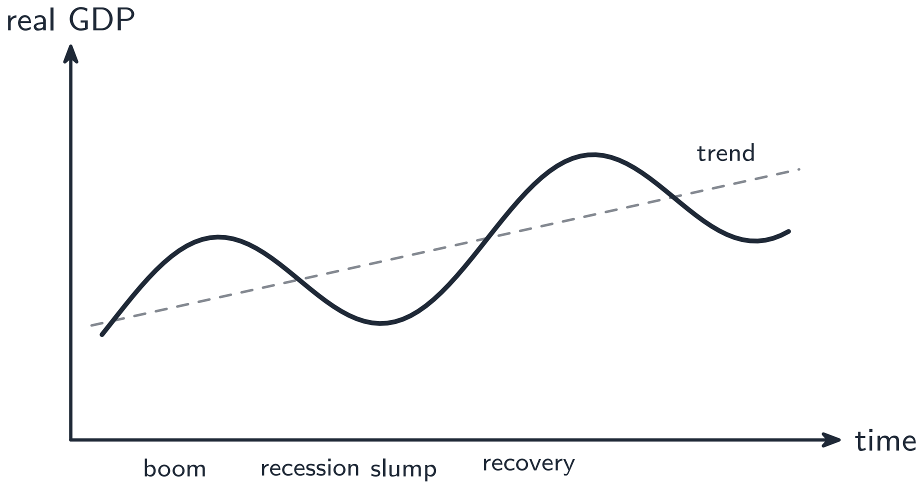
Recall

In **Part 1** you met GDP, the circular flow of income, and aggregate demand and supply. Part 2 looks at how the economy **grows** and **swings** (the business cycle), and at two big problems — **unemployment** and **inflation**.

New ideas

1 Economic growth and the business cycle

Economic growth 经济增长 is a rise in a country's real GDP over time. But output does **not** grow smoothly. The **business cycle** 经济周期 is the up-and-down pattern of output, with four phases: **boom** 繁荣 (fast growth), **recession** 衰退 (falling output), slump (the low point), and recovery — all around a rising long-run trend.



Micro-check. Name the phase of the business cycle where output is **falling**. [1]

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2 Unemployment

Unemployment 失业 means people who are able and willing to work, and looking for a job, but cannot find one. The main types:

- **frictional unemployment** 摩擦性失业 — short-term, while people move between jobs;
- **structural unemployment** 结构性失业 — an industry declines, so workers' skills no longer match the jobs;
- **cyclical unemployment** 周期性失业 — caused by low demand in a recession (usually the largest type).

frictional	structural	cyclical
short-term, between jobs	skills no longer match the jobs	low demand in a recession

Micro-check. Which type of unemployment rises most in a recession? [1]

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3 Inflation

Inflation 通货膨胀 is a sustained rise in the general price level. Money then buys less — its **purchasing power** 购买力 falls. It is measured by the **consumer price index** 消费者价格指数 (CPI), the cost of a "basket" of everyday goods.

Two causes:

- **demand-pull inflation** 需求拉动型通货膨胀 — aggregate demand rises faster than supply ("too much money chasing too few goods");
- **cost-push inflation** 成本推动型通货膨胀 — firms' costs rise (wages, raw materials), so they raise prices.

demand-pull → demand rises faster than supply → prices ↑

cost-push → firms' costs rise (wages, materials) → prices ↑

Micro-check. Inflation caused by rising wages and material costs is which type? [1]

Watch out: frictional unemployment = between jobs (short); structural = skills no longer match (an industry declines); cyclical = low demand in a recession (usually largest). Demand-pull inflation = demand rising too fast; cost-push = firms' costs rising.

Practice

4.1 State what is meant by **economic growth**. [1]

4.2 Name the four phases of the **business cycle**, in order. [2]

4.3 State which type of unemployment each describes: (a) caused by a recession; (b) caused when an industry closes and skills no longer fit. [2]

4.4 State what happens to the **purchasing power** of money during inflation. [1]

4.5 State one difference between **demand-pull** and **cost-push** inflation. [2]

4.6 Challenge. A factory town's main industry closes, and the workers cannot find new jobs because their skills do not fit other work. Name this type of unemployment and explain it. [2]