

IB Economics Economic Instability Unit 9
Unemployment/Inflation and Government's Management of the Economy

Concepts and IDs:

Unemployment

Unemployment rate
Frictional unemployment
Structural unemployment
Cyclical unemployment
Inadequate Aggregate Demand
Seasonal unemployment
Recession
Depression
Full Employment
Hidden unemployment
Underemployment
Discouraged workers
Spare Capacity

Inflation

Disinflation
Deflation
Consumer Price Index – CPI
Base year
Demand Pull Inflation
Cost Push Inflation
Monetary Inflation
Stagflation
Core/underlying inflation rate
Hyperinflation

Fiscal Policy

Expansionary fiscal policy
Contractionary fiscal policy
Government Expenditure
 Current expenditure
 Capital expenditure

Transfer payment
Automatic Stabilizer
Discretionary policy
Government Budget Constraints
Budget Deficit
Budget Surplus
Government Debt
Lag time
Crowding Out

Supply Side Policies

Interventionist

Investment in human capital
Investment in new technology
Investment in Infrastructure
Industrial Policies

Market based

Policies to encourage competition
Labor market reforms
Incentive related policies

Savings rate
Investment
Physical Capital
Human Capital
Natural Capital

Objectives:

1. Distinguish between the causes of the different types of unemployment.
2. Analyze why unemployment is difficult to measure.
3. Describe the three major causes of inflation
4. Explain how price indexes are used to measure inflation
5. Distinguish between the measures that a government can take to deal with the problems of unemployment and inflation.
6. Analyze the consequences to society of inflation and unemployment-
7. Explain how a government can use fiscal policy to stabilize the economy.
8. Explain and distinguish between market oriented supply side policies and interventionist supply side policies and show both on a diagram.
9. Use graphs to analyze all of the ideas above.

Date	Assignments
Block B Due Wed May 15 Block E/G due Thurs May 16	HW 9.1 Unemployment Read textbook Chapter 10 p. 265 - 273 p. 268 #1 and p. 273 # 4 & 6
Block B Due Sunday May 19 Block E/G due Mon May 20	HW 9.2 Inflation Read textbook Chapter 10 p. 274-283 p. 277 Test your understanding #1b and 2b and p. 283 # 2
Block B Due Tuesday May 21 Block E/G due Wed May 22	HW 9.3 Fiscal Policy Read textbook Chapter 12 p. 320 – 329 – skip HL pages p. 324 # 1c and p.330 #1 and 2a and 2b
Block B Thursday May 23 Block E/G due Sunday May 26	HW 9.4 Supply side policies Read text Chapter 12 p. 338-349 p. 342 #5 &6 and p.345 #1a & 2a
Block B Monday May 27 Block E/G Tuesday May 28	Test
Block B Wed May 29 Block E/G due Thursday May 30	In class Article Analysis
Block B Sunday June 2 and Tuesday June 4 Block E/G Monday June 3	Semester review
All - Monday June 10 9:00am	Final Exam