

Ch. 8

Equations To Know

Unemployment rate: number unemployed/labor force

Labor force: # unemployed + # employed

Labor force participation rate: # in labor force/ adult population

employment population ratio: # employed/adult population

Different types of employment:

structural- workers that are looking for the jobs don't have the skills

- policies that increase structural unemployment

 - increasing minimum wage law

 - increasing unemployment benefits

 - changes in government spending

- tends to be longer term (maybe they are in school, want to do an entry level job before)

frictional- job search

- workers have the skills for jobs available

- tends to be short term

cyclical- unemployed due to recession

- lack of demand for good

- business cycle

If the economy is in...

No recession/ no boom

full employment= 95%

only natural unemployment= 5%

no cyclical unemployment

actual output= potential

Recession

actual output < potential output
actual unemployment > natural rate
weak demand for resources

Boom/Expansion

actual output > potential output
actual unemployment < natural rate

Remember...

Potential GDP- output level that is sustainable long term***

Inflation

- low inflation not so bad
- high inflation can cause recession or economic instability (bad for economy)

Unemployment- in the labor force

- no job
- looking for work within the past 6 weeks
- temporarily laid off

Not in labor force

- no job
- not looking

Ch. 16 Economic Growth

Rule of 70: $70 / \text{growth rate} = \text{years for income to double}$

- Example: growth rate is 10% → it will take 7 years for income to double

Key sources of growth

- Gains from trade
- Entrepreneurial discovery

-Investment

Less (not) Important for Economic Growth

-Population growth

-Natural resources

-Example: Hong Kong does not have many resources but has great economic growth

-Foreign aid

-Climate & location

Ch. 18 International Trade

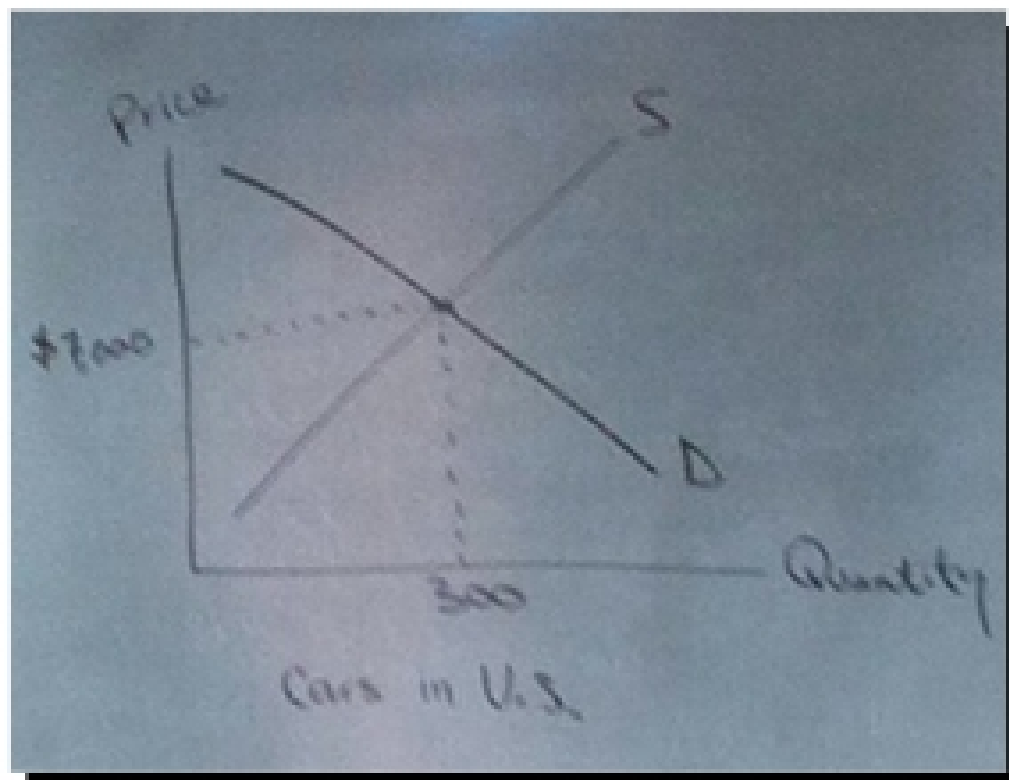
Tariffs & Quotas will lead to...

-unintended bad consequences

-politically motivated

-open countries grow faster than closed countries

For Graphs you need to know how to read...



2 Example Questions-

How many cars w/ no trade? 300 cars

What is the price of cars w/ no trade? \$7,000