Economics
Inflation and Unemployment
Notes and Formulas

INFLATION

1. **Inflation Rate** - most important tool used to calculate a rise in price.
2. **Inflation** - an overall general rise in prices.
3. **Deflation** - an overall general decline in prices.
4. **Galloping Inflation** - occurs when there is a double-to-triple digit percentage increase in prices yearly.
5. **Hyper Inflation** - occurs when there is a 1 million percentage plus increase in prices yearly. Please note that when there is hyper inflation in an economy, something catastrophic has gone wrong in in that economic system (shooting or live wars; earthquakes, etc.) What is happening now with the COVID - 19 virus is not hyper inflation.
6. Formula for calculating inflation: **inflation rate**

$$(P_2 - P_1 / P_1) \times 100$$

Example: Let's say that the price of movies tickets was $8.00 for 2017 and are $10.50 for 2020. I do not actually know what movie prices are. Plugging the numbers into the formula yields

$$(10.50 - 8.00 / 8.00) \times 100$$

$$(2.5 / 8.00) \times 100$$

$$31.2\%$$

Your final result should be 31.2%. Given our example, movie ticket prices went up 31.2% over the period. DO NOT RUN YOUR STEPS TOGETHER. BREAK THEM INTO SINGLE STEPS. Please note that the results are reported in percentages. Also note that points will be taken off for not including a percent sign.

UNEMPLOYMENT

1. **Unemployment -** out of work, BUT LOOKING FOR WORK.
2. **Frictional Unemployment** - between jobs
3. **Structural Unemployment - o**ccurs when changes in the economy renders skills obsolete.
4. **Cyclical Unemployment** - occurs when there is a downturn in the economy
5. Formula for calculating unemployment: **unemployment rate**

$$(\text{\# of people out of work} / \text{\# number of people in the labor force}) \times 100$$

This is a very simple ratio and there is no need to provide an example. Just plug in the number of people out of work over the number of people in the labor force multiplied by 100. DO NOT RUN YOUR STEPS TOGETHER. Also, report results in percentages.

6. Contact me if there are any problems.