Gross Domestic Product or GDP

Chapter 13 section 1

Economic Instability (14)

Business Cycles & Fluctuations -

* Business Cycles in the U.S. – recession, peak, trough, expansion, trend line & depression
* Great Depression –
* Causes of Business Cycles
	+ Capital Expenditures
	+ Inventory Adjustments
	+ Innovation and Imitation
	+ Monetary Factors
	+ External Shocks
* Predicting Business Cycles
	+ Econometric model –
	+ Index of leading indicators -

Unemployment

Unemployed – people available for work who made a specific effort to find a job during the past month and who worked less then an hour for profit.

Inflation

* Inflation in the U.S.
	+ Price level –
	+ Measuring inflation
		- Deflation – decrease in the general price level
	+ Degrees of Inflation – creeping, galloping & hyperinflation
* Causes – buy more goods and services than economy can produce, federal gov’t deficit, increase input costs, unexpected increase in the cost of nonlabor inputs, no single group causes it, higher wages, & excessive monetary growth.
* Consequences - $ buys less, change spending habits, tempts people to speculate & alters distribution of income.

Poverty and the Distribution of Income