

Business Cycles, Unemployment, and Inflation

As indicated in Chapter 26, the United States has experienced remarkable economic growth over time. But this growth has not been smooth, steady, and predictable from year to year. At various times the United States has experienced recessions, high unemployment rates, or high inflation rates. For example, U.S. unemployment rose by 8 million workers, and the unemployment rate increased from 4.7 percent to 10.1 percent during the 2007–2009 recession. Other nations have also suffered high unemployment rates at times. As just one example, Spain's unemployment rate exceeded 26 percent in 2012. Also, inflation has occasionally plagued the United States and other nations. For instance, the U.S. inflation rate in 1980 was 13.5 percent. Zimbabwe's inflation soared to 26,000 percent in 2007!

Our goal in this chapter is to examine the concepts, terminology, and facts relating to macroeconomic instability. Specifically, we want to discuss the business cycle, unemployment, and inflation, foundational concepts for understanding economic theory and economic policy in the study of Macroeconomics.