

Glossary

Chapter 5

boom	prolonged expansion in economic activity (p. 118)
business cycles	short-term fluctuations in the economy relative to the long-term trend in output (p. 116)
consumer price index (CPI)	a measure of the prices of a basket of consumable goods and services that serves to gauge inflation (p. 109)
contraction	when the economy's output is falling— measured from the peak to the trough (p. 117)
cyclical unemployment	unemployment due to short-term cyclical fluctuations in the economy (p. 106)
deflation	a decrease in the overall price level (p. 108)
depression	a severe recession (p. 118)
discouraged workers	people who have left the labour force because they could not find work (p. 100)
expansion	when output (real GDP) is rising significantly— the period between the trough of a recession and the next peak (p. 116)
frictional unemployment	unemployment from normal turnovers in the economy, such as when individuals change from one job to another (p. 104)
hyperinflation	extremely high rates of inflation for a sustained period of time (p. 112)
inflation	a continuous rise in the overall price level (p. 108)
job leaver	a person who quits his or her job (p. 102)
job loser	an individual who has been laid off or fired (p. 102)
labour force	persons 15 years of age and over who are employed or are unemployed and seeking work (p. 99)
labour force participation rate	the percentage of the population (aged 15 years and over) in the labour force (p. 103)
leading economic indicators	factors that typically change before changes in economic activity (p. 119)
menu costs	the costs incurred by a firm as a result of changing its listed prices (p. 113)
natural rate of unemployment	the “average” unemployment rate, equal to the sum of frictional and structural unemployment (p. 106)
new entrant	an individual who has not held a job before but is now seeking employment (p. 102)
nominal interest	the reported interest rate that is not adjusted for (p. 113)

rate	
peak	the point in time when the expansion comes to an end, when output is at the highest point in the cycle (p. 117)
potential output	the amount of real output the economy would produce if its labour and other resources were fully employed—that is, at the natural rate of unemployment (p. 107)
price index	a measure of the trend in prices for a certain bundle of goods and services over a given time period (p. 109)
price level	the average level of prices in the economy (p. 108)
re-entrant	an individual who worked before and is now re-entering the labour force (p. 102)
real gross domestic product (RGDP)	the total value of all final goods and services produced in a given time period such as a year or a quarter, adjusted for inflation (p. 97)
real interest rate	the nominal interest rate minus the inflation rate (p. 113)
recession	a period of significant decline in output and employment (p. 117)
relative price	the price of a specific good compared to the prices of other goods (p. 108)
shoe-leather cost	the cost incurred when individuals reduce their money holdings because of inflation (p. 113)
structural unemployment	unemployment that occurs due to a lack of skills necessary for available jobs (p. 105)
trough	the point in time when output stops declining; it is the moment when business activity is at its lowest point in the cycle (p. 117)
underemployment	a situation in which workers have skills higher than necessary for a job (p. 102)
unemployment rate	the percentage of the people in the labour force who are unemployed (p. 100)