**Assignment - Inflation and the Business Cycle Econ 120**

**Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Value: /16**

**Complete on your own loose-leaf, staple to the questions and pass in by the end of tomorrow’s class.**

1. Which do you think has a greater effect on the consumer price index: a 10 percent increase in the price of a chicken or a 10 percent increase in the price of sneakers? Why? (2)
2. What three things can you tell me based on the numbers below? (3)

CPI = 276

Base Year = 1956

Current Year = 1967

1. What is the difference between core CPI and CPI. Which do you believe is a better indicator for price levels? (2)
2. Why would you expect unemployment to tend to fall during an economy’s expansionary phase and to rise during an economy’s contractionary phase? (2)
3. Name some of the characteristics of the peak stage of the business cycle. (2)
4. Which of the following statements about inflation is true? (3)
   1. People have less money to spend
   2. There are fewer goods available
   3. One must pay more money for goods purchased
5. If inflation was known to be 4.5% in 1985, how many years would it have taken for prices to double? (2)