

# Inflation – Worksheet 1

## 1.1 Reading

### INFLATION

#### I DEFINITION

Inflation can be characterized as the **growth of money supply**, a **rise in the general price level**, a **reduction of purchasing power** of the currency or a **rise in nominal wages**.

#### II MEASURING INFLATION

To measure inflation, a number of **price indexes** are used:

- **Consumer Price Index** – measures the price of a selection of goods purchased by a typical consumer.
- **Cost-of-living Index** – measures relative **cost of living** over time or region and also measures differences in the price of goods and services.
- **Producer Price Index** – measures the price received by a producer.

#### III RATE OF INFLATION

The speed at which prices increase year by year is represented by the **inflation rate**. It is counted for a year or monthly. It is the rate of **increase of the average price level** and of **decrease in the purchasing power** of currency. It is used to **calculate the real interest rate**, as well as real increases in wages.

#### IV CONSTANT AND CURRENT PRICES

- **CURRENT PRICES** – prices which are used for goods and services in a particular year, they can be used to compare international **consumer baskets** in a given year.
- **CONSTANT PRICES** – prices which are related to a **base year** and adjusted for inflation; they are used in order to compare **GDP** and economic growth.

## 1.2 Find in the text and translate.

- 1 stálá cena .....
- 2 nárůst zásoby peněz .....
- 3 reálná úroková míra .....
- 4 snížení kupní síly.....
- 5 měřit životní náklady.....
- 6 spotřební koš .....
- 7 inflace .....
- 8 index spotřebitelských cen .....
- 9 zvýšení nominální mzdy .....
- 10 aktuální cena .....
- 11 zvýšení cenové hladiny .....
- 12 HDP .....
- 13 míra inflace .....
- 14 cenový index .....
- 15 index životních nákladů .....

## 1.3 Complete prepositions.

**AS, IN (2x), BY (3x), FOR (2x), TO, OF**

- 1 Constant prices are related ..... a base year.
- 2 What goods have been purchased ..... this customer?
- 3 Inflation shows a rise ..... the general price level.
- 4 Inflation is characterized ..... the growth of money supply.
- 5 You must count the inflation rate ..... a year or monthly.
- 6 Prices of goods change year ..... year.
- 7 There has been a decrease ..... nominal wages.
- 8 What does the level ..... cost of living show?
- 9 Price indexes are used ..... measuring inflation.
- 10 What is the income received ..... this producer?

## 1.4 Answer the questions.

- 1 What does the term *inflation* mean?
- 2 What is used in order to measure inflation?
- 3 What does the inflation rate represent? How is it counted?
- 4 What is the difference between a current price and a constant price?

## Inflation – Worksheet 2

### 2.1 Reading

#### TYPES OF INFLATION

##### 1) ANTICIPATED (BALANCED) INFLATION

– a low inflation rate with very little fluctuations, the economy of the country can prepare for it, prices increase at the same level as wages

##### 2) UNANTICIPATED (UNBALANCED) INFLATION

– it is harmful to the economy

- a) Moderate inflation
- b) Galloping inflation
- c) Hyperinflation

##### 2 A) MODERATE INFLATION

- is an inflation with the inflation rate of 2% - 10% a year, prices and nominal wages are stable therefore this inflation is not harmful

##### 2 B) GALLOPING INFLATION

- prices grow by 20% - 200% a year, people withdraw their money from saving banks and buy real estates, money loses its value dramatically and the consequences are more harmful

##### 2 C) HYPERINFLATION

- it is inflation that is out of control, prices increase rapidly as the currency of the country loses its value  
- a monthly inflation rate is of 20 or 30% or more

### 2.2 Find the words in the text.

- 1 stabilní nominální mzdy .....
- 2 škodlivý pro hospodářství .....
- 3 nízká míra inflace .....
- 4 předvídaná inflace .....
- 5 ceny rostou .....
- 6 výkyvy .....
- 7 peníze ztrácí hodnotu .....
- 8 mírná inflace .....
- 9 inflace je neovladatelná .....
- 10 nepředvídaná inflace .....
- 11 míra inflace za rok .....
- 12 pádivá inflace .....

### 2.3 Translate the sentences.

1 Inflaci dělíme na předvídanou a nepředvídanou.

.....

2 Předvídaná inflace není škodlivá pro hospodářství, protože míra inflace je nízká a výkyvy jsou velmi malé.

.....

3 Nepředvídaná inflace se dělí na tři typy: mírnou, pádivou a hyperinflaci.

.....

4 Nejškodlivější je hyperinflace, která je neovladatelná.

.....

5 Míra inflace narůstá o více jak 25% a měna dané země ztrácí svou hodnotu.

.....

6 Mírná inflace je nejméně škodlivá ze všech typů nepředvídané inflace, protože míra inflace roste pomalu.

.....

7 Pádivá inflace má za následek dramatický nárůst cen a peníze ztrácejí svou hodnotu.

.....

8 Nevyrovnaná inflace je škodlivější než vyrovnaná, protože způsobuje větší výkyvy v cenách.

.....

## Inflation – Worksheet 3

### 3.1 Reading

#### EFFECTS OF INFLATION

The **rise of prices** of consumer goods and services goes hand in hand with decrease of purchasing power of currency. This state has a number of **negative consequences** which influence the country.

The most serious effect is the above mentioned **reduction of the purchasing power of the currency**. **Money loses its value** and people are able to purchase fewer goods or services for the same amount of money. People start **buying durable commodities** in order to prevent hunger. **Real consumption falls** as consumers spend less money and make responsible decisions about their spending. There is **reduction in investments**, savers are disadvantaged if the interest rate on their savings is lower than the inflation rate. **Pensioners** and people with fixed salaries are **disadvantaged**. **Net export falls** and the **country's balance of payment** is affected. If the inflation hits the economy of the country hard, there may be **riots and revolts** in which people express their dissatisfaction and worries.

#### DEALING WITH INFLATION

There are some methods of regulating inflation:

- if there is inflation on the demand-side, the **aggregate demand** should be **reduced**
- government should try to **slow down** economic **expansion**
- government uses the **policy of tight money**
- **taxes** are **increased** in order to increase revenue
- **cuts in government spending**
- **regulating prices and wages**

### 3.2 Translate. Use the text.

1 peníze ztrácejí hodnotu .....	8 nepokoje a vzpoury .....
2 být znevýhodněný .....	9 zpomalit ekonomickou expanzi .....
3 záporné následky .....	10 reálná spotřeba klesá .....
4 snížení agregátní poptávky .....	11 platební bilance země .....
5 snížení kupní síly měny .....	12 zvýšení cen .....
6 pokles čistého vývozu .....	13 škrty ve výdajích .....
7 trvanlivé jídlo .....	14 politika těžko dostupných peněz .....
	15 snížení investic .....

### 3.3 Answer the questions.

- 1 What negative consequences does inflation have on the market of the country?
- 2 Why are pensioners disadvantaged in inflation?
- 3 What durable commodities can people purchase? Why do they do it?
- 4 Why do people invest less in inflation?
- 5 In times of inflation, should the government of a country increase taxes in the first place or make cuts in government spending?

## Unemployment – Worksheet 4

### 4.1 Reading

#### DEFINITION

Unemployment is the state in which a worker wants to work and is looking for some job but is not able to find any work for various reasons. The **unemployment rate** is the number of unemployed workers divided by the total civilian labour force. **Unemployment benefits** are payments made by governments to unemployed people.

#### TYPES OF UNEMPLOYMENT

- **NATURAL UNEMPLOYMENT** - people are temporarily between jobs, they have quit their old job and are searching for a new one
- **STRUCTURAL UNEMPLOYMENT** – people are unemployed because they lack the specific skills, experience or qualification required for some specific job and that is why they get dismissed and cannot find any other job; or they may be highly skilled, sometimes even too skilled, and it is problematic for them to find any suitable employment because there is no right position for them, or their job position has been abolished and they fail to find any vacancy of the same type of a job
- **CYCLICAL UNEMPLOYMENT** - this type of unemployment exists in times of recession when even skilled and qualified workers are unable to find a job and the unemployment rate rises above its natural level
- **SEASONAL UNEMPLOYMENT** - happens in certain periods of the year

### 4.2 Find the translation in the text.

1 míra nezaměstnanosti .....	8 nezaměstnanost .....
2 pracovník, dělník .....	9 volné prac. místo .....
3 odejít ze zaměstnání .....	10 kvalifikace .....
4 být propuštěn .....	11 pracovní síla .....
5 být neschopen najít práci .....	12 být nezaměstnaný .....
6 podpora v nezaměst. ....	13 hledat práci (2x) .....
7 nezaměstnaný pracovník .....	14 práce, zaměstnání .....
	15 odborné dovednosti .....

### 4.3 Answer the following questions.

- 1 Are you interested in the level of unemployment in the Czech Republic or it does not worry you?
- 2 What would you do if you could not find any job, which you want to do, for a long time?
- 3 Do you think that the system of granting unemployment benefits is right in the Czech Republic? Would you change it?
- 4 Could you name examples of jobs typical for seasonal unemployment?
- 5 Would you ever try working abroad? Why yes/not?
- 6 What advice would you give to someone who is unemployed? (e. g. retraining scheme, go to the job centre, sign in an Internet website with jobs and upload your CV there, etc.)