NAME: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ PERIOD: \_\_\_\_\_\_\_ DATE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_ POINTS: \_\_\_\_\_\_\_\_\_ 61 points

**CHAPTER 13 STUDY GUIDE**

**DIRECTIONS:** Read each main idea and answer the questions below. Use your textbook to supply the details that support or explain each main idea.

**LESSON 13-1**

**A. MAIN IDEA:** The economy naturally goes through cycles of recession and expansion caused by a number of factors.

1. Describe the two phases of the business cycle and their key characteristics. 2pts

2. What are some events that cause recessions to begin? (At least 2) 2pts

**B. MAIN IDEA:** The United States has experienced many cycles of recession and recovery, including the Great Depression of the 1930s and the Great Recession of 2008–2009.

3. What was the Great Depression? 1pt

4. What caused the Great Depression? 1pt

5. How did the United States recover from the Great Depression? 2pts

6. What were the effects of the Great Recession on people in the United States? 2pts

**C. MAIN IDEA:** Economists use several different models to predict how the economy will act in the future.

7. What leading economic indicators do economists use to predict a change in future GDP? 2pts

8. What is the econometric model? 2pts

**LESSON 13-2**

**A. MEASURING PRICES & INFLATION**

9. What is inflation and deflation? 2pts

10. What are the steps involved to determine the CPI? 4pts

11. Why is hyperinflation damaging the economy? 1pt

12. What other price indexes are used to measure inflation? 2pts

**B. CAUSES OF INFLATION**

13. How might high demand cause inflation? What is this theory called? 2pts

14. How might rising input costs cause inflation? What is this theory called? 2pts

15. Why might wages and prices affect each other in a loop of continuing inflation? 1pt

16. How could the actions of the Federal Reserve cause inflation? 2pts

**C. CONSEQUENCES OF INFLATION**

17. How does inflation distort the spending patterns of consumers? 2pts

18. How does inflation encourage speculation? 1pt

19. How does inflation distort how income is distributed? 1pt

**LESSON 13-3**

**A. MAIN IDEA:** The United States measures the percentage of the workforce that is unemployed to determine the unemployment rate.

20. The Bureau of Labor Statistics defines the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ force, more commonly called

the labor force, as the sum of all persons age \_\_\_\_\_\_\_\_\_\_\_\_\_ and above who are either \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or actively seeking employment. 3pts

21. People are considered \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ if they have been \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for work and activity looking for a

job in the past month, but have worked less than an hour a week for profit. 2pts

22. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ rate is found by dividing the number of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ persons with the number of

people in the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ force. 3pts

23. Unemployment hits certain ages, \_\_\_\_\_\_\_\_\_\_\_, and sexes differently. For example, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ have an unemployment rate twice as high as Caucasians. 2pts

24. The unemployment rate is higher than its official percentage because it does not measure people who have given up

 looking for \_\_\_\_\_\_\_\_\_\_\_\_\_ or people in \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ jobs who want full-time work. 2pts

**B. MAIN IDEA**: There are several different types of unemployment that each have their own causes and their own challenges to resolve.

25. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ unemployment occurs when workers are in-between jobs. It is usually the shortest term type of unemployment. 1pt

26. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ unemployment harder to fix since it occurs with a change in production or the market reduces

the demand for certain types of \_\_\_\_\_\_\_\_\_\_. 2pts

27. When workers are replaced by machines or other automated systems, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ unemployment occurs. 1pt

28. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ unemployment is directly related to swings in the business cycle, such as recessions. 1pt

29. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ unemployment occurs in jobs that are related to the weather such as snow plow drivers and life

guards. This type of unemployment tends to happen every \_\_\_\_\_\_\_\_\_\_\_ at about the same time. 2pts

**C. MAIN IDEA:** When the economy is unstable, it has far-reaching effects on other parts of the economy.

30. There are two measures of economic instability. One is the \_\_\_\_\_\_\_ gap which measures the gap between

the real GDP and the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ GDP the country would have if everyone was employed. 2pts

31. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_ index, sometimes called the discomfort index, is found by adding the inflation and unemployment rates together. 1pt

32. When the economy is unstable, a great deal of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ exists, consumers and business owners are

cautious and may not make \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or invest. These decisions contribute the instability in the economy. 2pts

33. Often politicians are hurt by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ instability. Voters may blame government officials and

\_\_\_\_\_\_\_\_\_\_\_\_\_\_them out of office. 2pts

34. Recession, inflation, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ can also lead to higher rates of crime and poverty. 1pt