



Section 1: Guided Reading and Review

Gross Domestic Product

A. As You Read

As you read Section 1, answer the following questions about gross domestic product.

1. What is the gross domestic product? _____
2. How is the expenditure approach used to calculate it? _____
3. How is the income approach used to calculate it? _____
4. What is the difference between nominal GDP and real GDP? _____

Describe four limitations of using GDP to measure economic growth:

5. _____
6. _____
7. _____
8. _____
9. How is the gross national product derived from the gross domestic product? _____
10. How is GDP related to aggregate supply and aggregate demand? _____

B. Reviewing Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided. You will not use all the terms.

Column I

- ___ 11. a system that collects macroeconomic statistics on production, income, investment, and savings
- ___ 12. goods used in the production of final goods
- ___ 13. GDP measured in current prices
- ___ 14. goods that last a short period of time
- ___ 15. GDP expressed in constant, or unchanging, prices
- ___ 16. goods that last for a relatively long time
- ___ 17. loss of the value of capital equipment that results from normal wear and tear
- ___ 18. the total amount of goods and services in the economy available at all possible price levels
- ___ 19. the average of all prices in the economy
- ___ 20. the annual income earned by U.S.-owned firms and U.S. residents
- ___ 21. the dollar value of all final goods and services produced within a country's borders in a given year

Column II

- a. real GDP
- b. nominal GDP
- c. aggregate supply
- d. nondurable goods
- e. price level
- f. intermediate goods
- g. depreciation
- h. national income accounting
- i. gross domestic product
- j. durable goods
- k. gross national product
- l. aggregate demand

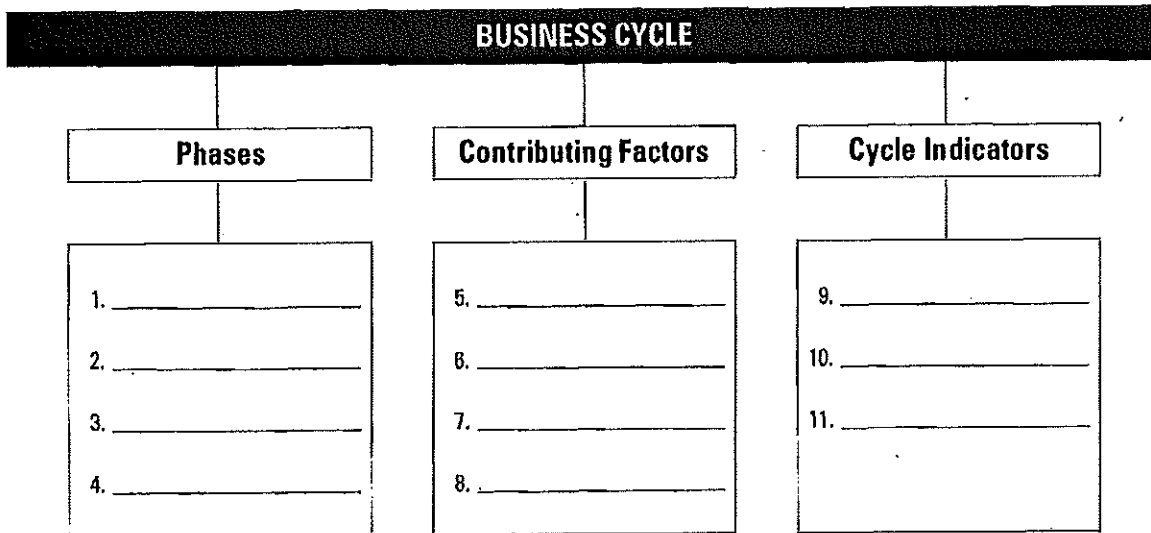
Section 2: Guided Reading and Review

Business Cycles



A. As You Read

As you read Section 2, fill in each item in the following diagram.



B. Reviewing Key Terms

Define the following terms.

12. business cycle _____
13. expansion _____
14. economic growth _____
15. peak _____
16. contraction _____
17. trough _____
18. recession _____
19. depression _____
20. stagflation _____
21. leading indicators _____



Section 3: Guided Reading and Review

Economic Growth

A. As You Read

As you read Section 3, fill in supporting facts or details under each main idea by answering each question.

Main Idea: Capital deepening is an important source of growth in modern economies.

1. How does capital deepening increase output per worker? _____

2. How is human capital deepened? _____

Main Idea: The rate of saving and investment affects the economy.

3. What happens when saving rises? _____

4. How does increased investment help the economy? _____

Main Idea: Population, government, and trade all directly affect the economy.

5. What happens when population grows and capital remains constant? _____

6. How do government taxation for consumption spending and importing goods for short-term consumption affect economic growth? _____

Main Idea: Technological progress is a key source of economic growth.

7. How do economists measure the impact of technological progress on economic growth? _____

8. How does the government aid technological innovation? _____

B. Reviewing Key Terms

Complete each sentence by writing the correct term in the blank.

9. _____ is the proportion of disposable income spent to income saved.
10. The real GDP divided by the total population is called _____.
11. Increasing the amount of capital per worker is _____.
12. Income not used for consumption is considered _____.
13. An increase in efficiency gained by producing more output without using more inputs is called _____.

Section 1: Guided Reading and Review

Unemployment



A. As You Read

As you read Section 1, supply the missing reason for or type of unemployment on the lines provided in the chart.

Reason for Unemployment	Type of Unemployment
1. people taking time looking for work after finishing school	1. _____
2. _____	2. structural unemployment
3. lack of education or training for skills in demand	3. _____
4. _____	4. frictional unemployment
5. a healthy economy that is working properly	5. _____
6. _____	6. seasonal unemployment
7. _____	7. very low unemployment
8. _____	8. structural unemployment
9. development of new technologies	9. _____
10. _____	10. cyclical unemployment
11. _____	11. structural unemployment

B. Reviewing Key Terms

Complete each sentence by writing the correct term in the blank provided.

12. My cousin Harold is used to _____, since he works for a landscaping company and is laid off every winter.
13. It is easy to find a job these days, since the _____ is so low.
14. People who do not finish high school often suffer from _____.
15. With _____, nearly everyone who wants a job has a job.
16. The excellent mechanic who has been working as a clerk at a convenience store since the local garage closed is considered _____.
17. My aunt who left her job to care for her sick mother and is now looking for work is an example of _____.



Section 2: Guided Reading and Review

Inflation

A. As You Read

As you read Section 2, answer the following questions.

1. What would you use to see how prices have changed over time? _____

2. What does the example of the Barrow's house increasing from \$12,000 to \$150,000 over 50 years show? _____

3. How is the Consumer Price Index (CPI) used? _____

4. How does the Bureau of Labor Statistics determine the CPI? _____

5. What data must you have to calculate the inflation rate for a specific year? _____

6. What happens when hyperinflation occurs over an extended period of time? _____

Describe three theories of the causes of inflation.

7. _____
8. _____
9. _____

How does inflation affect each of the following?

10. purchasing power _____
11. fixed income _____
12. savings _____

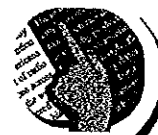
B. Reviewing Key Terms

Define the following terms.

13. inflation rate _____
14. deflation _____
15. Consumer Price Index _____
16. inflation _____
17. wage-price spiral _____
18. price index _____

Section 3: Guided Reading and Review

Poverty



A. As You Read

As you read Section 3, fill in two supporting facts or details under each main idea by answering each question.

Main Idea: The U.S. Census Bureau has developed measurements to calculate the number of poor.

1. What condition must exist for everyone in a household to be counted as poor? _____

2. What does the poverty rate help us understand? _____

Main Idea: Poverty has a number of root causes.

3. What do statistics show about a lack of education contributing to poverty? _____

4. What has the divorce rate shown about poverty? _____

Main Idea: Knowing how the nation's total income is distributed helps people understand poverty.

5. What percentage of the nation's total income does the lowest 40 percent of the population receive? _____

6. What two key factors contribute to the differences in income distribution? _____

Main Idea: The government has various programs and policies to combat poverty.

7. What programs and laws help working people achieve an adequate income? _____

8. How might the welfare reform program help reduce poverty? _____

B. Reviewing Key Terms

Complete each sentence by writing the correct term in the blank.

9. The _____ is the graphed curve that illustrates income distribution in the economy.
10. The program that requires work in exchange for assistance is called _____.
11. The _____ is the percentage of people in a particular group who are officially considered living in poverty.
12. The level of income below which income is insufficient to support a family or household is called the _____.