



Section 1: Guided Reading and Review

Scarcity and the Factors of Production

CHAPTER 1

A. As You Read

As you read Section 1, supply in the space provided an explanation an economist might give showing why each statement is true.

Statement

Explanation

1. People must make choices to satisfy their needs and wants.
2. Scarcity always exists.
3. Physical capital is an important factor of production.
4. All goods and services are scarce.
5. Entrepreneurs are important to the production of goods and services.

1. _____

2. _____

3. _____

4. _____

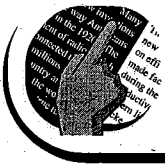
5. _____

B. Reviewing Key Terms

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

6. A CD player is a _____ rather than a need because it is not necessary to survival.
7. The study of how people seek to meet their needs and wants by making choices is _____.
8. Persons who perform such actions as cutting hair or teaching school are providing _____.
9. When producers will not or cannot offer goods and services at current prices, a _____ occurs.
10. Land, labor, and capital make up the _____.
11. When people make resources for producing other goods and services they are creating _____.
12. The term _____ refers to water, forests, and all other natural resources used to produce goods and services.
13. The two categories of capital are physical and _____.
14. Factories, machinery, and pencils are all examples of _____ capital.
15. Leaders who take risks to develop original ideas and start new industries are called _____.

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Section 2: Guided Reading and Review

Opportunity Cost

CHAPTER 1

A. As You Read

As you read Section 2, fill in two supporting facts or details under each main idea by answering each question.

Main Idea: Trade-offs are alternatives that people give up when they choose one course of action over another.

1. Who makes trade-offs? _____
2. Why do decisions involve trade-offs? _____

Main Idea: Opportunity cost is the most desirable alternative given up as the result of a decision.

3. How does opportunity cost vary? _____
4. Why does opportunity cost vary? _____

Main Idea: Deciding whether to do or use one more or one less unit of some resource is thinking at the margin.

5. What does thinking at the margin help with? _____
6. What does thinking at the margin help compare? _____

B. Reviewing Key Terms

Answer each of the following questions.

7. In what way are trade-offs and opportunity costs alike?

8. How does an opportunity cost differ from a trade-off?

9. What are "guns or butter" decisions?

10. How does thinking at the margin change the decision-making process?

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Section 2: Guided Reading and Review

The Free Market

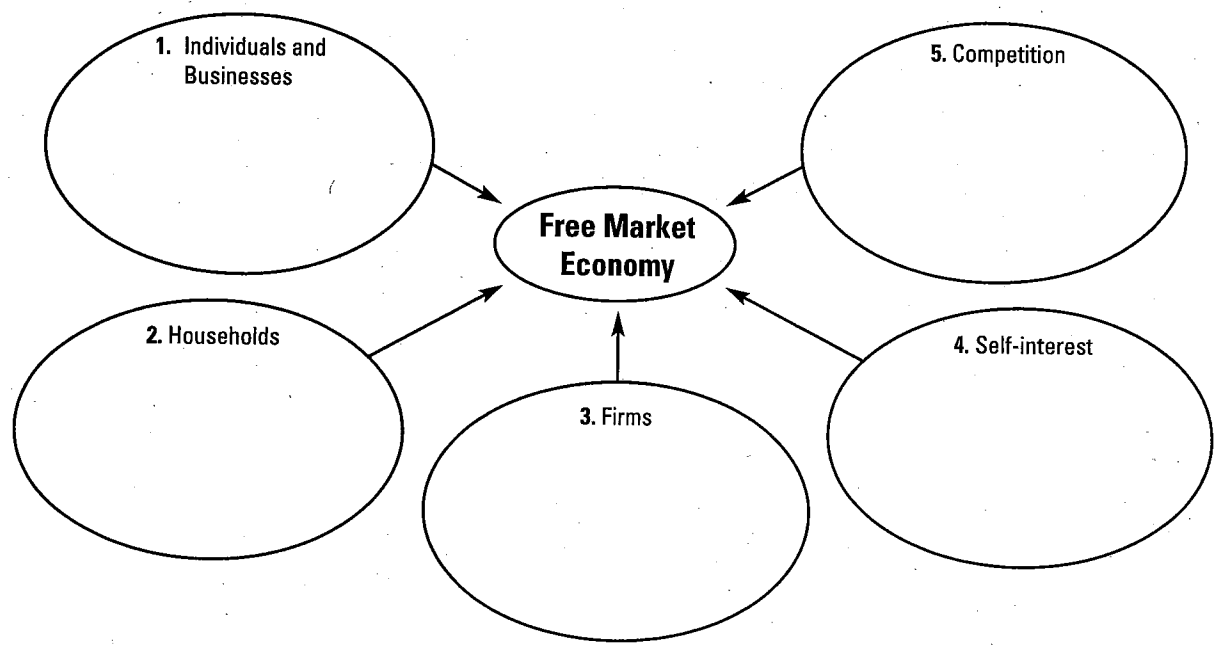


CHAPTER 2

A. As You Read

As you read Section 2, list the role or roles played in a free market economy by each factor in the diagram below.

Roles and Functions in a Free Market Economy



B. Reviewing Key Terms

Match the definitions 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 of the terms.

Column I

- ___ 6. market in which households purchase the goods and services that firms produce
- ___ 7. an expectation that encourages people to behave in a certain way
- ___ 8. power of consumers to decide what gets produced
- ___ 9. market in which firms purchase the factors of production from households
- ___ 10. financial gain made in a transaction
- ___ 11. concentration of productive efforts of individuals and firms on a limited number of activities
- ___ 12. an arrangement that allows for exchange among buyers and sellers

Column II

- a. profit
- b. competition
- c. product market
- d. market
- e. incentive
- f. self-interest
- g. specialization
- h. factor market
- i. consumer sovereignty

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Section 3: Guided Reading and Review

Centrally Planned Economies



CHAPTER 2

A. As You Read

As you read Section 3, supply the missing information in the chart below.

Central Economic Planning in the Former Soviet Union

1. Main goal: _____

2. Role of central government:
(a) _____
(b) _____

3. Effects on agriculture:
(a) *Positive* _____
(b) *Negative* _____
4. Effects on industry:
(a) *Positive* _____
(b) *Negative* _____
5. Effects on consumers:
(a) *Positive* _____
(b) *Negative* _____

B. Reviewing Key Terms

Define the following terms.

6. socialism _____

7. communism _____

8. authoritarian _____

9. collective _____

10. heavy industry _____



Section 1: Guided Reading and Review

Benefits of Free Enterprise

CHAPTER 3

A. As You Read

As you read Section 1, supply the missing information about the American market system in the spaces provided.

Free Enterprise

Basic principles:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____

Consumer

Basic Roles:

8. _____
9. _____

Government

Basic Roles:

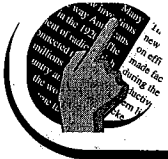
10. _____
11. _____
12. _____
13. _____

B. Reviewing Key Terms

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

14. When individuals decide to put their house up for sale, they are exercising their _____.
15. Farmers who feel they need a private organization to influence public policy in their behalf might form a/an _____.
16. Nutritional values printed on candy wrappers or milk cartons are required under _____.
17. The concerns of the public as a whole make up the _____.

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Section 2: Guided Reading and Review

Promoting Growth and Stability

CHAPTER 3

A. As You Read

As you read Section 2, supply the requested information in the spaces provided.

1. Usual length of the business cycle: _____

2. Three main outcomes of public policy aimed at economic stability: _____

3. Requirement for raising living standards for new generations: _____

4. Two indicators of economic stability: _____

5. Government-provided incentives for innovation: _____

B. Reviewing Key Terms

Define the following terms.

6. macroeconomics _____

7. microeconomics _____

8. business cycle _____

9. gross domestic product _____

10. technology _____

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Section 1: Guided Reading and Review

Understanding Demand

A. As You Read

As you read Section 1, for each boxed example, fill in the key term the example illustrates in the space provided.

1. the higher the price of pizza, the fewer slices people will buy

2. eating salad or tacos instead of pizza when the price of pizza goes up

3. buying fewer slices of pizza when rising prices reduce real income

4.

Price	Quantity
1	5
2	4
3	3
4	2

5.

Price	Quantity
1	300
2	250
3	200
4	150

B. Reviewing Key Terms

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

- A _____ is a table that lists the quantities of a good a person will buy at each price that may be offered in the market.
- A _____ is a table that lists the quantities of a good demanded by all consumers at each price that may be offered in the market.
- A _____ is a graphical representation of a demand schedule
- The _____ is the change in consumption resulting from a change in real income.
- The _____ says that when a good's price is lower, consumers will buy more of it.

Section 1: Guided Reading and Review

Understanding Supply



CHAPTER 5

A. As You Read

As you read Section 1, supply the missing causes or effects on the lines provided in the chart.

Cause	Effect
<p>1. The price of pizza increases.</p>	<p>1. <i>On pizzerias:</i></p> <p>_____</p> <p>_____</p>
<p>2. The cost of tomato sauce increases along with the price of pizza.</p>	<p>2. <i>On pizza supply schedule:</i></p> <p>_____</p> <p>_____</p>
<p>3. _____</p> <p>_____</p> <p>_____</p>	<p>3. <i>On market supply curve:</i> Prices will remain the same as on a single pizzeria's supply curve.</p>
<p>4. _____</p> <p>_____</p> <p>_____</p>	<p>4. <i>On supply curve:</i> The curve always rises from left to right.</p>
<p>5. The supply of a good is not very responsive to price changes.</p>	<p>5. <i>On the value of elasticity of supply:</i></p> <p>_____</p> <p>_____</p>
<p>6. A supplier, such as an orange grower, has a long time to respond to a price change.</p>	<p>6. <i>On supply:</i></p> <p>_____</p> <p>_____</p>

B. Reviewing Key Terms

Read the statements below. In the space provided, write *T* if the statement is true or *F* if it is false.

- _____ 7. Price and quantity supplied are variables on a supply schedule.
- _____ 8. A supply curve shows price and quantity in a table.
- _____ 9. Elasticity of supply states that the output of a good increases as the price of the good increases.
- _____ 10. To create a market supply schedule, an economist needs to know the total output of all suppliers in a given market.

Section 2: Guided Reading and Review

Costs of Production



A. As You Read

As you read Section 2, supply the requested information in the spaces provided.

1. A basic question a producer must answer: _____

2. Marginal product of labor benefits gained from worker specialization: _____

3. Negative effect of a firm's limited capital: _____

4. Curve pattern for marginal product of labor when capital is limited: _____

5. Examples of typical fixed costs: _____

6. Why labor is a variable cost: _____

7. How the marginal costs of production for the beanbag producer changed after the rate of three bags per hour was surpassed: _____

8. How total revenue and total cost can help set the most profitable output level: _____

9. How marginal revenue and marginal cost can help set the most profitable output level: _____

10. Why a producer would continue to increase output even though the marginal cost of production may be rising: _____

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B. Reviewing Key Terms

Define the following terms.

11. marginal product of labor _____
12. diminishing marginal returns _____
13. total cost _____
14. marginal cost _____

Section 3: Guided Reading and Review

Changes in Supply



CHAPTER 5

A. As You Read

As you read Section 3, supply information to complete each statement in the spaces provided.

1. Unable to control price, a profitable producer faced with rising labor and/or materials costs will _____.
2. New technology affects supply by _____.
3. European governments' reasons for subsidizing food producers include _____.
4. In the past, Western European governments subsidized banks and airlines by _____.
5. The United States government subsidizes such industries as _____.
6. An excise tax increases production costs by _____.
7. Consumers may be unaware of excise taxes because _____.
8. Government regulations often reduce supply because _____.
9. During periods of inflation, suppliers may temporarily withhold goods that can be stored for long periods because _____.

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B. Reviewing Key Terms

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

10. Government can increase supply by granting producers a(n) _____.
11. To reduce supply, a government might levy a(n) _____.
12. Requiring pollution control on automobiles exemplifies government _____.



Section 1: Guided Reading and Review

Combining Supply and Demand

A. As You Read

As you read Section 1, supply the requested information in the spaces provided.

In the Case of the Pizzerias

1. The market equilibrium price: _____
2. The market supply level: _____
3. The market demand level: _____

In Any Market Environment

4. How equilibrium is shown on a supply and demand graph: _____

5. Two possible outcomes of disequilibrium: _____

6. Supplier price response to excess demand: _____

7. Condition under which market forces will push market toward the equilibrium: _____

In the Case of Government Intervention

8. Purpose(s) of rent control: _____

9. Negative results of ending rent control: _____

10. Effect on labor when minimum wage exceeds equilibrium: _____
11. Purpose of Northeast Dairy Compact: _____

B. Reviewing Key Terms

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

12. When government wants to ensure that “essential” goods or services are within the reach of all consumers, it may impose a(n) _____.
13. If prices rise too high, a market may face the problem of _____.
14. The one and only price at which quantities supplied equal quantities demanded indicates the market _____.
15. Minimum wage is an example of a government-imposed _____.
16. If car manufacturers produce more or fewer cars than customers will buy, the car market will be in _____.

Section 1: Guided Reading and Review

Perfect Competition



CHAPTER 7

A. As You Read

As you read Section 1, supply the missing cause or effect in the spaces provided.

The Perfect Market Structure	
<p>1. Cause: _____ _____</p>	<p>1. Effect: The market determines price without influence from suppliers or consumers.</p>
<p>2. Cause: _____ _____</p>	<p>2. Effect: Identical products are key to perfect competition.</p>
<p>3. Cause: Entrepreneurs are less likely to enter a market with high start-up costs.</p>	<p>3. Effect: _____ _____</p>
<p>4. Cause: Sometimes firms cannot make enough to stay in business.</p>	<p>4. Effect: _____ _____</p>
<p>5. Cause: _____ _____</p>	<p>5. Effect: Prices are forced down to the point where they just cover the seller's costs of doing business.</p>
<p>6. Cause: _____ _____</p>	<p>6. Effect: Producers adjust their output decisions based on their most efficient use of available land, labor, and capital.</p>

B. Reviewing Key Terms

Briefly define or identify each of the following.

7. perfect competition _____

8. commodity _____

9. barrier to entry _____

10. start-up costs _____

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Section 3: Guided Reading and Review

Monopolistic Competition and Oligopoly



CHAPTER 7

A. As You Read

As you read Section 3, fill in the information requested on the charts.

Monopolistic Competition Market Structures	
Defining Conditions	1. _____ 2. _____ 3. _____ 4. _____
Forms of Nonprice Competition	5. _____ 6. _____ 7. _____ 8. _____
Price-Output Relationship	9. _____
Curbs on High Profits	10. _____ 11. _____
Consumer Advantages	12. _____
Oligopoly	
Conditions Encouraging Formation	13. _____ 14. _____ 15. _____
Practices that Concern Government	16. _____ 17. _____ 18. _____

B. Reviewing Key Terms

Read the statements below. In the space provided, write T if the statement is true or F if it is false.

- _____ 19. Firms selling identical products create *monopolistic competition*.
- _____ 20. Providing better customer service, introducing a new lipstick color, and sophisticated advertising are examples of *nonprice competition*.
- _____ 21. *Price fixing* is an outcome of collusion.
- _____ 22. A *cartel* is most successful when each member produces as much product as possible.

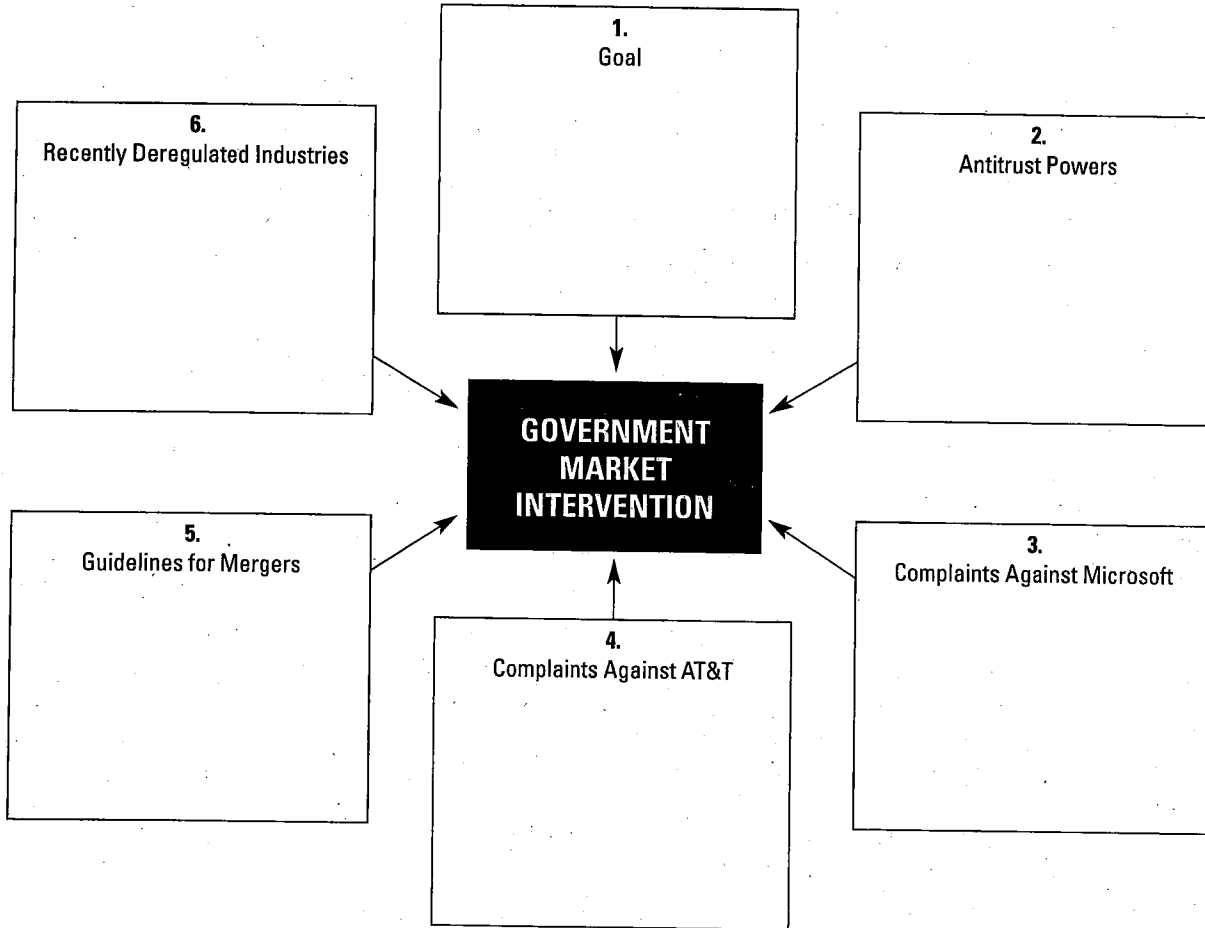
Section 4: Guided Reading and Review Regulation and Deregulation



CHAPTER 7

A. As You Read

As you read Section 4, supply the missing information about government market intervention in the numbered web boxes.



B. Reviewing Key Terms

Use a key term to rewrite each sentence correctly.

- 7. *Price fixing* is the practice of setting the market price below cost for the short term to drive competitors out of business. _____

- 8. A *monopoly* occurs when a company joins with another company to form a single firm.

- 9. *Perfect competition* means that the government no longer decides a company's market role and pricing. _____



Section 1: Guided Reading and Review

Sole Proprietorships

CHAPTER 8

A. As You Read

As you read Section 1, supply the missing information in the spaces provided.

Sole Proprietorships

1. Owned and managed by: _____
2. Percentage of U.S. businesses: _____
3. Percentages of U.S. sales generated: _____

List and explain the advantages of sole proprietorships.

4. _____
5. _____
6. _____
7. _____
8. _____

List and explain the disadvantages of sole proprietorships.

9. _____
10. _____
11. _____

B. Reviewing Key Terms

Find the term that does not belong in each set and explain how it does not relate to the other three.

12. (*business license*, certificate of occupancy, *business organization*, registration of business name) _____

13. (*liability*, health codes, *zoning laws*, dangerous chemical codes)

14. (human capital, *fringe benefits*, physical capital, financial resources)

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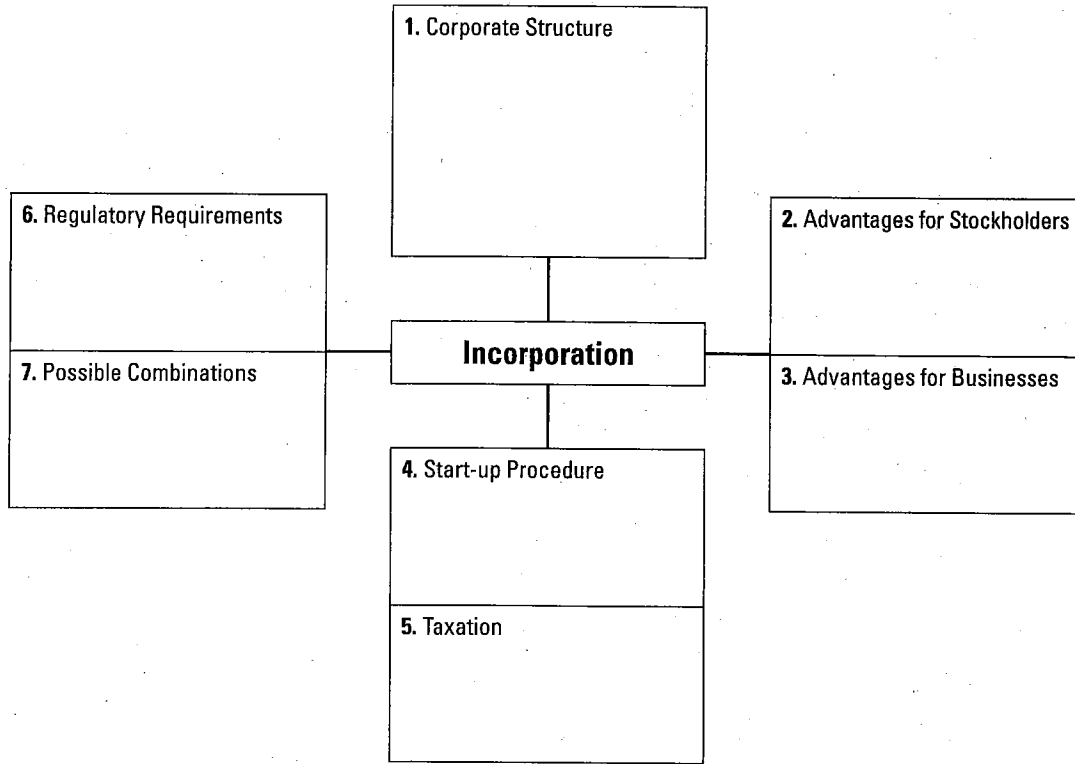
Section 3: Guided Reading and Review

Corporations, Mergers, and Multinationals

CHAPTER 8

A. As You Read

As you read Section 3, supply the missing information in the graphic organizer.



B. Reviewing Key Terms

Read the statements below. In the space provided, write *T* if the statement is true, or *F* if it is false.

- ___ 8. Companies in the same business might form vertical mergers.
- ___ 9. Multinational corporations usually headquarter in several countries.
- ___ 10. If you buy stocks, you own part of a corporation.
- ___ 11. Corporate bonds pay dividends.
- ___ 12. Corporations have a legal identity.
- ___ 13. Dividends represent a portion of corporate profits.
- ___ 14. Privately held corporations are also closely held corporations.
- ___ 15. The federal government issues a company's certificate of incorporation.
- ___ 16. A conglomerate merges more than three companies making unrelated products.
- ___ 17. Publicly held corporations sell stocks to the Securities and Exchange Commission.
- ___ 18. Stockholders must pay a capital gains tax whenever they sell their shares.

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Section 4: Guided Reading and Review

Other Organizations

CHAPTER 8

A. As You Read

As you read Section 4, supply the missing information under the headings on the chart.

Business Franchises

Advantages

1.

Disadvantages

2.

Cooperative Organizations

Membership and/or Purpose

3.

Categories

4.

Nonprofit Organizations

5.

6.

B. Reviewing Key Terms

Briefly define or identify each of the following.

7. royalties _____

8. trade association _____

9. cooperative _____

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Section 2: Guided Reading and Review

Labor and Wages



CHAPTER 9

A. As You Read

As you read Section 2, complete each of the following sentences.

1. Employment in a labor market depends on how closely the demand for workers meets _____.
2. The price of labor (earnings) depends on _____.
3. Professional labor requires _____.
4. In a competitive market, workers are usually paid according to _____.
5. Higher labor prices decrease the _____.
6. Firms can respond to higher wages by replacing _____.
7. Higher wages increase the _____.
8. Jobs in the skilled labor category require _____.
9. A high equilibrium wage is the result of _____.
10. The Equal Pay Act of 1963 provided that _____.
11. Title VII of the 1964 Civil Rights Act forbids job discrimination on the basis of _____.
12. Lack of human capital and possible discrimination contribute to low wages for _____.
13. Negative effects on nonunion wages can be reduced when unions _____.

B. Reviewing Key Terms

Define the following terms.

14. labor force _____

15. equilibrium wage _____

16. glass ceiling _____

17. featherbedding _____

Section 3: Guided Reading and Review

Organized Labor



A. As You Read

As you read Section 3, supply the information requested by the heading in each box.

Major U.S. labor organizations formed between 1869 and 1955:

1. (1869) _____
2. (1886) _____
3. (1938) _____
4. (1955) _____

Anti-union strategies used by U.S. employers before the 1930s:

5. _____
6. _____
7. _____
8. _____

Economic changes that have affected unions:

9. _____
10. _____
11. _____

Ways in which unions have declined in traditional strongholds:

12. _____
13. _____
14. _____
15. _____

Major issues covered under a union contract:

16. _____
17. _____
18. _____

B. Reviewing Key Terms

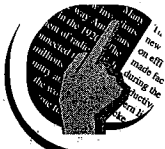
Match the definitions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided. You will not use all of the terms.

Column I

- ____ 19. union and company representatives meeting to negotiate a contract
- ____ 20. worker in a professional job receiving a salary
- ____ 21. measure banning mandatory union membership
- ____ 22. worker in an industrial job
- ____ 23. settlement technique using third party reviews
- ____ 24. organized work stoppage

Column II

- a. arbitration
- b. strike
- c. blue-collar worker
- d. collective bargaining
- e. white-collar worker
- f. mediation
- g. right-to-work law



Section 1: Guided Reading and Review

Money

CHAPTER 10

A. As You Read

As you read Section 1, supply the requested information in the spaces provided.

Describe the three uses of money.

1. _____
2. _____
3. _____

Define the six characteristics of money.

4. _____
5. _____
6. _____
7. _____
8. _____
9. _____

B. Reviewing Key Terms

Match the definitions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- ___ 10. something that keeps its value if held
- ___ 11. objects that have value because the holder can exchange them for something else of value
- ___ 12. money that has value because the government says it is acceptable for paying debts
- ___ 13. anything that is used to determine value during the exchange of goods and services
- ___ 14. exchange of one set of goods or services for another
- ___ 15. coins and paper bills used as money
- ___ 16. way to compare the value of goods and services relative to each other
- ___ 17. anything used as a medium of exchange, a unit of account, and a store of value
- ___ 18. objects that have value in themselves as well as for their use as money

Column II

- a. barter
- b. store of value
- c. fiat money
- d. currency
- e. money
- f. medium of exchange
- g. commodity money
- h. unit of account
- i. representative money

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Section 2: Guided Reading and Review

The History of American Banking

CHAPTER 10

A. As You Read

As you read Section 2, fill in two supporting facts or details under each main idea by answering each question.

Main Idea: Before the Civil War, banking in the United States shifted between a centralized system and independent state and local banks.

1. What were the first two attempts to centralize U.S. banking, and when were they in operation? _____

2. What problems were associated with the Free Banking Era (1837–1863), dominated by state-chartered banks? _____

Main Idea: Reforms of the late 1800s stabilized the banking system.

3. How did the National Banking Acts of 1863 and 1864 promote stability? _____

4. How did the gold standard promote stability? _____

Main Idea: Banking reforms early in the twentieth century helped strengthen and centralize American banking.

5. How did the Federal Reserve System, established in 1913, begin to manage the money supply? _____

6. What guarantee was made available to bank customers in 1933? _____

B. Reviewing Key Terms

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

7. One advantage of the _____ was that the government could only issue currency if it had gold in the treasury to back it.
8. The _____ was a paper currency printed with green ink that was issued by the U.S. Treasury during the Civil War but not backed by gold or silver.
9. A(n) _____ receives, keeps, and lends money.
10. The nation's central banking system is the _____.

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Section 1: Guided Reading and Review

Saving and Investing



CHAPTER 11

A. As You Read

As you read Section 1, supply the missing information about the functions of the financial intermediaries in the chart below.

Financial Intermediaries	Functions
1. Banks, Savings and Loan Associations, Credit Unions	1.
2. Finance Companies	2.
3. Mutual Funds	3.
4. Life Insurance Companies	4.
5. Pension Funds	5.

B. Reviewing Key Terms

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

6. Before putting money into mutual funds, a potential investor can review the fund's performance in its _____.
7. The use of assets to earn income or profit constitutes a(n) _____.
8. To transfer money between savers and borrowers, allowing investment to take place, an economy needs a(n) _____.
9. Securities is another name for _____.
10. The lower the risk in an investment, the lower its _____.
11. The collection of all one's financial assets makes up one's _____.

Section 3: Guided Reading and Review

The Stock Market



CHAPTER 11

A. As You Read

As you read Section 3, supply the missing information to complete each sentence in the spaces provided.

1. Income stocks pay _____.
2. Growth stocks can be profitable because they _____.
3. Investors experience capital gains when they _____.
4. Investors suffer capital losses when they _____.
5. Stocks are riskier than bonds because _____.
6. Blue chip stocks are traded on the _____.
7. A put option is the option to _____.
8. During a bear market, investors sell because _____.

B. Reviewing Key Terms

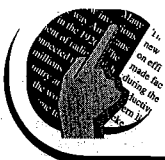
Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided. You will not use all the terms.

Column I

- _____ 9. steady, extended rise in stock market
- _____ 10. electronic marketplace for stock not listed on an organized exchange
- _____ 11. claims of ownership in a corporation
- _____ 12. making high-risk investments with borrowed money in the hope of getting a big return
- _____ 13. market for buying and selling stock
- _____ 14. person who links buyers and sellers of stocks
- _____ 15. 1929 collapse of the stock market
- _____ 16. business specializing in trading stocks
- _____ 17. contracts to trade stock at a specific price and time in the future

Column II

- a. stockbroker
- b. options
- c. bear market
- d. Great Crash
- e. brokerage firm
- f. bull market
- g. equities
- h. OTC market
- i. speculation
- j. stock exchange



Section 1: Guided Reading and Review

Gross Domestic Product

CHAPTER 12

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

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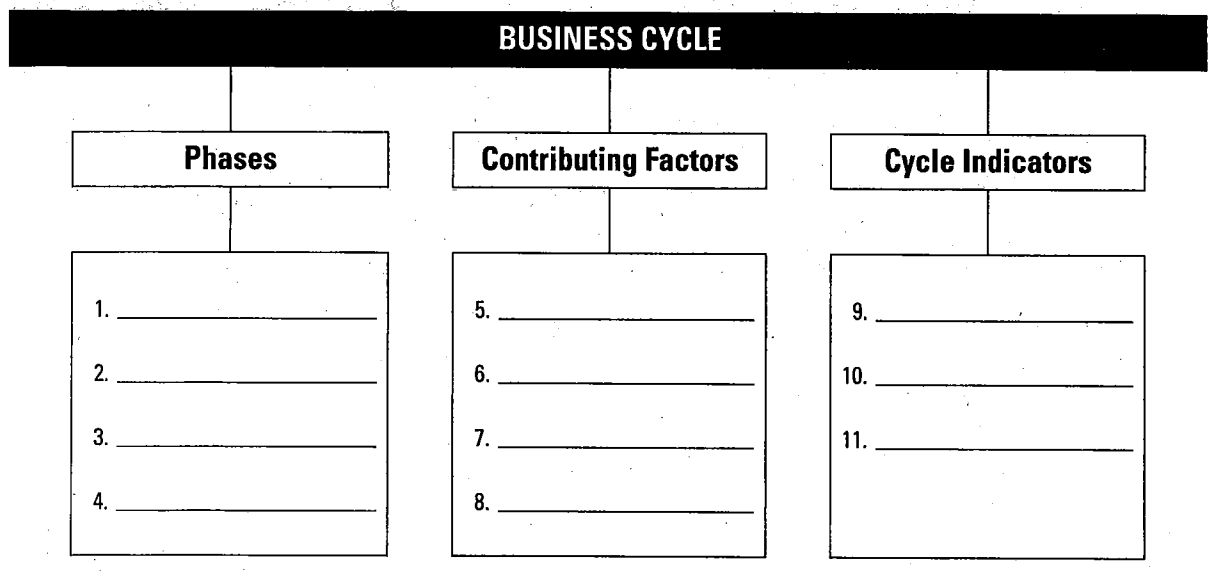
Section 2: Guided Reading and Review

Business Cycles

CHAPTER 12

A. As You Read

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

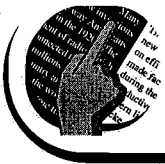


B. Reviewing Key Terms

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 _____

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Section 3: Guided Reading and Review

Economic Growth

CHAPTER 12

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 _____.

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Section 1: Guided Reading and Review

Unemployment



CHAPTER 13

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



CHAPTER 13

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 _____

