

GUIDED READING Activity 13-2

For use with textbook pages 361–367

I NFLATION

OUTLINING

Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary.

I. Measuring Prices and Inflation

A. Introduction

1. What is a price index? _____
2. What is the consumer price index? _____

B. Market Basket

1. What is a market basket?

2. What is a base year?

C. The Price Index—How is the dollar cost of a market basket converted to an index value?

D. Measuring Inflation

1. What is the difference between creeping inflation and hyperinflation?

2. What is stagflation?

E. Other Price Indexes—What is the producer price index?

II. Causes of Inflation

A. Demand-Pull—In what way does excessive demand cause inflation?

B. Cost-Push—How do labor costs affect inflation?

C. Wage-Price Spiral—What is the wage-price spiral?

III. Consequences of Inflation—What effects does inflation have on an economy?
