

GUIDED READING Activity 13-1

For use with textbook pages 353–359

B BUSINESS CYCLES AND FLUCTUATIONS

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. Business Cycles: Characteristics and Causes

A. Phases of the Business Cycle—What is the difference between a recession and a depression?

B. Changes in Investment Spending—How do changes in capital expenditures affect business cycles?

C. Innovation and Imitation—What does an innovation usually trigger in industry?

D. Monetary Policy Decisions—What happens when the Fed follows an easy money policy?

E. External Shocks—Give an example of a positive and a negative external shock.

II. Business Cycles in the United States

A. The Great Depression—Why did the government declare a “bank holiday” in 1933?

B. Causes of the Great Depression—How did easy and plentiful credit contribute to the Great Depression?

C. Recovery and Legislation—List two laws or agencies that were established after the Great Depression in an effort to protect people and prevent another depression.

D. Cycles After World War II—What happened to business cycles following World War II?

III. Forecasting Business Cycles

A. Using Everyday Economic Statistics—What is the composite index of leading economic indicators?

B. Using Econometric Models—What is an econometric model?
