

Chapter 13 Review Questions

1. Construct a curve which identifies the parts of the business cycle. Describe in detail where and how unemployment and inflation would occur in relation to the business cycle.
2. Explain deflation and assess its impact on the economy in detail.
3. Some people have argued that the reported unemployment rate actually understates the extent of unemployment. Explain this reasoning and provide 2 examples for support.
4. Explain what occurs during wage-price spiral inflation.
5. Construct two graphs. The first illustrating demand-pull inflation and the second illustrating cost-push inflation. Underneath each graph summarize what is happening and how inflation occurs
6. What approach to fiscal policy (government spending & taxation) would you implement if the economy was in a recession? Support your decision by explaining its impact on the economy.
7. What approach to fiscal policy (government spending & taxation) would you implement if the economy was experiencing a period of high inflation? Support your decision by explaining its impact on the economy
8. What approaches to monetary policy (3) would you implement if the economy was experiencing a period of high inflation? Support your decision by explaining its impact on the economy
9. What approaches to monetary policy (3) would you implement if the economy was experiencing a recession? Support your decision by explaining its impact on the economy
10. Explain the impact of a weak dollar on trade and the economy.
11. Explain the impact of a strong dollar on trade and the economy.