

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 the difference between a recession and a depression
3. Explain deflation and assess its impact on the economy in detail.
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. Explain who are the winners and losers during periods of inflation
7. List at least 4 groups that are not included in the labor force.
8. Provide an example for each of the types of unemployment
9. Some people have argued that the reported unemployment rate actually understates the extent of unemployment. Explain this reasoning and provide 2 examples for support.
10. 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.
11. 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