

Chapter 12 & 13 “Economic Growth and Challenges” Study Guide

BEFORE THE TEST:

1. Rank your knowledge of each objective 1-5.

(1=“I have no idea/never seen this before”, 5=“I know this well/will get an A on this”)

2. Rank your knowledge of each key term 1-5.

(1=“I have no idea/never seen this before”, 5=“I know this well/will get an A on this”)

3. Spend time reading, answering, or defining each objective and key term on this study guide (focusing FIRST on those you might not know well).

OBJECTIVES (Ch. 12 section 1 “Gross Domestic Product”)

Identify National Income and Product Accounts (NIPA).

Explain how gross domestic product (GDP) is calculated.

Explain the difference between nominal GDP and real GDP.

List the main limitations of GDP.

Describe other income and output measures.

Identify factors that influence GDP.

OBJECTIVES (Ch. 12 section 2 “Business Cycles”)

Identify the phases of the business cycle.

Describe four key factors that keep the business cycle going.

Explain how economists forecast fluctuations in the business cycle.

Analyze the impact of business cycles in U.S. history.

Analyze why U.S. business cycles may change in the future.

OBJECTIVES (Ch. 12 section 3 “Economic Growth”)

Analyze how economic growth is measured.

Understand capital deepening and how it contributes to economic growth.

Analyze how saving and investment are related to economic growth.

Summarize the impact of population growth, government, and foreign trade on economic growth.

Identify the causes and impact of technological progress.

OBJECTIVES (Ch. 13 section 1 “Unemployment”)

Describe frictional, seasonal, structural, and cyclical unemployment.

Describe how full employment is measured.

Explain why full employment does not mean that every worker is employed.

OBJECTIVES (Ch. 13 section 2 “Inflation”)

Explain the effects of rising prices.

Understand the use of price indexes to compare changes in prices over time.

Identify the causes and effects of inflation.

Describe recent trends in the inflation rate.

OBJECTIVES (Ch. 13 section 3 “Poverty”)

Define who is poor, according to government standards.

Describe the causes of poverty.

Analyze the distribution of income in the U.S.

Summarize government policies intended to combat poverty.

Key Terms:

1. National Income Accounting
2. Gross Domestic Product
3. Nominal GDP
4. Real GDP
5. Depreciation
6. Aggregate Supply
7. Aggregate Demand
8. Business Cycle
9. Recession
10. Depression
11. Stagflation
12. Leading Indicators
13. Cyclical Unemployment
14. Unemployment Rate
15. Full Employment

16. Underemployed
17. Discouraged Workers
18. Inflation
19. Consumer Price Index
20. Market Basket
21. Hyperinflation
22. Demand Pull Theory
23. Cost Push Theory
24. Wage Price Spiral
25. Fixed Income
26. Deflation
27. Poverty Rate
28. Income Distribution
29. Lorenz Curve

* **Re-read: The main ideas in the “Section Focus” for each section.**

* **Re-read the Chapter Summaries for each section.**