**Unit 4 Study Guide Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Block:\_\_\_\_\_\_\_\_**

**Test Date:**

**Tutoring:**

**GDP**

1. What are the four tools economists use to measure **economic activity**? (notes)
2. Define **GDP** (and what does GDP stand for)? (pg. 301)
3. Give one example of something that WOULD be counted in GDP.
4. Give three examples of things that WOULD NOT be counted in GDP. (pg. 304-305)
5. What is an intermediate good? Give an example. (pg. 301)
6. What is the formula for GDP? (notes)
7. What do the C, I, G, and Xn stand for in the equation for GDP? (notes)

C:

I:

G:

Xn:

1. What is **real GDP**? (pg. 304)
2. What is **aggregate supply**? (pg. 306-307)
3. What is **aggregate demand**? (pg. 306-307)
4. How do fears over future economic problems affect GDP and the business cycle? Give an example. (pg. 313)
5. A possible crisis has caused consumers to start saving their money. How does this affect aggregate demand and aggregate supply in the short term? (pg. 307-308)

**Inflation**

1. What is **inflation**? (pg. 338)
2. What is **deflation**? (pg. 343)
3. What is **stagflation**? (pg. 311)
4. What is **purchasing power** and how is it affected by inflation? (pg 339)
5. What is included in the “**market basket”** used to calculate inflation? (pg. 339)
6. What is the **Consumer Price Index (CPI)** and what does it measure? (pg. 339)
7. What is a **COLA** (cost-of-living-adjustment)? (notes)
8. Why is someone who is on a fixed income really hurt by inflation? (pg. 343)
9. What types of people are hurt by inflation? (use your inflation activity sheet)
10. What types of people are helped by inflation? (use your inflation activity sheet)
11. What is the wage-price spiral (pg. 342)?

**Unemployment**

1. What is **unemployment**?
2. What is **frictional unemployment**? (pg. 331)
3. What is **cyclical unemployment**? (pg. 333)
4. What is **structural unemployment**? (pg. 332)
5. What is the normal **unemployment rate**? (pg. 334)
6. Describe someone who is **underemployed**. (pg. 335)
7. Why is it important that we keep our unemployment low?

**Business Cycle**

1. Draw and label the **business cycle**. (pg. 311)
2. Describe the **expansion/recovery** phase of the business cycle. (pg. 310)
3. Why does aggregate demand increase during the expansion/recovery of the business cycle?
4. Describe what occurs during the **peak** of the business cycle. (pg. 310)
5. Describe the **contraction** phase of the business cycle. (pg. 310)
6. Why does aggregate demand decrease during the contraction of the business cycle?
7. Describe what occurs during the **trough** of the business cycle. (pg. 311)
8. What is the difference between a **recession** and a **depression**? (pg. 311)
9. What are the four factors that affect the **business cycle**? (pg. 311-313)