

GUIDED READING Activity 13-4

For use with the textbook pages 360–363

BUSINESS FLUCTUATIONS

FILLING IN THE BLANKS

Directions: Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once.

recession business cycle contraction recovery	business fluctuations trough peak	boom expansion depression
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Introduction/Model of the Business Cycle

The ups and downs in an economy are known as **1** _____. These ups and downs can be associated with the **2** _____—changes in the level of total output measured by real GDP.

Model of the Business Cycle

A business cycle begins with growth leading to an economic **3** _____ or **4** _____—a period of prosperity. When real GDP levels off, a decline or **5** _____ of the economy begins to happen. If a contraction lasts long enough, the economy can fall into a **6** _____, where the real GDP does not grow for at least six months. If a recession becomes extremely bad, it may lead to a **7** _____, which leads to millions of people out of work, numerous business failures, and an economy operating far below capacity. However, the downward movement of the economy levels off in a **8** _____—the lowest point in the business cycle. Increased economic activity that follows is called an **9** _____ or **10** _____. The recovery happens until the economy hits another **11** _____ and a new cycle occurs.

Ups and Downs of Business

In the real world, the **12** _____ is not regular. The largest drop in the economy resulted in a **13** _____, following the stock market crash in October 1929. The stock market crash in 1929 caused a serious **14** _____, leading to the layoffs of millions of workers and numerous business and bank failings. A general rise in the economy climaxed with a **15** _____ after World War II. Since World War II, the United States has gone through recessions, but no serious numerous **16** _____ has occurred.

GUIDED READING Activity 13-5

For use with the textbook pages 364–367

CAUSES AND INDICATORS OF BUSINESS FLUCTUATIONS

OUTLINING

Directions: Locate the heading in your textbook. Then use the information under the heading to help you write each answer.

I. Causes of Business Fluctuations

A. Introduction—Today, to what do economists link business fluctuations?

B. Business Investment

1. What do businesses and producers do when there is anticipated downturn in the economy?

a. business: _____

b. producers: _____

2. How do innovations affect the economy?

C. Government Activity—How does the government affect business activity?

D. External Factors—What external factors can influence the nation’s economy?

E. Psychological Factors—How do psychological factors affect spending and saving?

II. Economic Indicators

A. Introduction

1. What are economic indicators?

2. Why do economists use economic indicators?

B. Leading Indicators—What are leading indicators?

C. Coincident Indicators—What does the downswing in coincident indicators signal?

D. Lagging Indicators—What purpose do lagging indicators serve?
