Section 1: Guided Reading and Review
Unemployment

A. As You Read

As you read Section 1, supply the missing reason for or type of unemployment on the lines provided in the chart.

Reason for Unemployment	Type of Unemployment
1. people taking time looking for work after finishing school	1. frictional unemployment
2. development of new technology	2. structural unemployment
3. lack of education or training for skills in demand	3. structural unemployment
4. someone is laid off from their current job and is trying to find a new one	4. frictional unemployment
5. a healthy economy that is working properly	5. cyclical unemployment
6. migrant agricultural workers	6. seasonal unemployment
7. inflation is high	7. very low unemployment
8. lack of education	8. structural unemployment
9. development of new technologies	9. structural unemployment
10. recessions and depressions in the economy	10. cyclical unemployment
11. changes in consumer demand	11. structural unemployment

B. Reviewing Key Terms

Complete each sentence by writing the correct term in the blank provided.

12. My cousin Harold is used to seasonal unemployment, since he works for a landscaping company and is laid off every winter.

13. It is easy to find a job these days, since the unemployment is so low.

14. People who do not finish high school often suffer from structural unemployment.

15. With full employment, nearly everyone who wants a job has a job.

16. The excellent mechanic who has been working as a clerk at a convenience store since the local garage closed is considered structural unemployment.

17. My aunt who left her job to care for her sick mother and is now looking for work is an example of frictional unemployment.

Section 2: Guided Reading and Review

Inflation

A. As You Read

As you read Section 2, answer the following questions.

1. What would you use to see how prices have changed over time? _____
   Use a price index

2. What does the example of the Barrow's house increasing from $12,000 to $150,000 over 50 years show? Effects of inflation

3. How is the Consumer Price Index (CPI) used? used to compare the costs of goods and services for months and years past

4. How does the Bureau of Labor Statistics determine the CPI? it is figured out by measuring the price of the "market basket" and then businesses and governments can compare prices for months and years.

5. What data must you have to calculate the inflation rate for a specific year? _____
   (CPI for year A) - (CPI for year B) ÷ (CPI for year B) x 100

6. What happens when hyperinflation occurs over an extended period of time? _____
   money looses most of it's value it often leads to economic collapse (downfall)

Describe three theories of the causes of inflation.

7. Quantity Theory- too much money in the economy causes inflation

8. Demand-Pull Theory- inflation happens when the demand of goods/services is more than supply

9. Cost-Pull Theory- inflation occurs when producers raise prices to meet the rise in cost

How does inflation affect each of the following?

10. purchasing power it will decrease the power of money (how much money is worth)

11. fixed income income doesn't increase, inflation lowers the worth of that money that is earned

12. savings loose money if the inflation rate is higher than the interest rate on the money in savings accounts
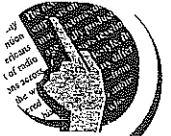
B. Reviewing Key Terms

Define the following terms.

13. inflation rate the percent change in price level over time

14. deflation a drop in the price level

15. Consumer Price Index a price index determined by measuring the "market basket"

16. inflation a general rise in prices

17. wage-price spiral a rise in pay cause a rise in price and a rise in price causes a rise in pay

18. price index measurement that shows how the average price of standard goods the "market basket"

Section 3: Guided Reading and Review

Poverty

A. As You Read

As you read Section 3, fill in two supporting facts or details under each main idea by answering each question.

Main Idea: The U.S. Census Bureau has developed measurements to calculate the number of poor.

1. What condition must exist for everyone in a household to be counted as poor? _____
   a combined income of the family is below the poverty threshold---classified as poor

2. What does the poverty rate help us understand? helps to understand who the government considers to be poor and what factors contribute to poverty

Main Idea: Poverty has a number of root causes.

3. What do statistics show about a lack of education contributing to poverty? people that graduate high school earn one third more than dropouts/ college graduates earned 3 times more

4. What has the divorce rate shown about poverty? more single parent families which has more children living in poverty

Main Idea: Knowing how the nation's total income is distributed helps people understand poverty.

5. What percentage of the nation's total income does the lowest 40 percent of the population receive? 40% of the income
   the lowest percentage includes the 20 percent of households that are the poorest

6. What two key factors contribute to the differences in income distribution? _____
   1. Differences in skills & education   2. Inheritances

Main Idea: The government has various programs and policies to combat poverty.

7. What programs and laws help working people achieve an adequate income? Enterprise zones, block grants (money given to states in lump some) and workfare(work for temporary assistance)

8. How might the welfare reform program help reduce poverty? Provides basic needs for people that can't afford them. It will force people to work and to move people out of poverty.

B. Reviewing Key Terms

Complete each sentence by writing the correct term in the blank.

9. The Lorenz Curve ____ is the graphed curve that illustrates income distribution in the economy.

10. The program that requires work in exchange for assistance is called workfare ____.

11. The poverty rate ____ is the percentage of people in a particular group who are officially considered living in poverty.

12. The level of income below which income is insufficient to support a family or household is called the poverty threshold.

Guided Reading and Review