

Study Guide Score... 30 Name _____
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CHAPTER 4

Economic Measurements

STUDY GUIDE

PART I

Directions: Indicate whether each statement below is correct or incorrect by placing a check mark on the line under *true* or *false* at the right.

| | TRUE | FALSE | For Scoring |
|---|-------|-------|-------------|
| 1. A low rate of employment and a high rate of business failures indicate that our economy is doing well. | _____ | _____ | 1. _____ |
| 2. There are more than 120 million Americans working on thousands of jobs. | _____ | _____ | 2. _____ |
| 3. A country's GDP is the total value of goods and services it produces in a year. | _____ | _____ | 3. _____ |
| 4. The U. S. GDP decreases almost every year. | _____ | _____ | 4. _____ |
| 5. It is a sign that our economy is growing whenever GDP increases from year to year. | _____ | _____ | 5. _____ |
| 6. To make GDP comparisons from year to year that are as fair and accurate as possible, we should use current prices instead of "constant" prices. | _____ | _____ | 6. _____ |
| 7. If GDP remained the same as last year but the population increased, an increase in our per capita output would result. | _____ | _____ | 7. _____ |
| 8. Workers' productivity and earnings are related. | _____ | _____ | 8. _____ |
| 9. Output per person and per capita output are essentially the same thing. | _____ | _____ | 9. _____ |
| 10. A country's per capita output is determined by dividing its GDP by its total population. | _____ | _____ | 10. _____ |

PART II

Directions: In Column 2 write the phase of the business cycle that is described by the statement in Column 1.

| COLUMN 1 | COLUMN 2 | For Scoring |
|---|----------|-------------|
| 1. Most people who want to work are working; consumers are buying; the economy is booming. | _____ | 1. _____ |
| 2. Unemployment begins to decrease; consumers regain confidence and start buying again; production begins to increase. | _____ | 2. _____ |
| 3. Unemployment is high throughout the country; many businesses fail; and GDP is at its lowest point. | _____ | 3. _____ |

For
Scoring

4. _____

5. _____

4. Demand begins to fall; businesses lower production; unemployment begins to rise; and consumers begin to lose confidence and reduce spending.
5. Employment rises; consumers begin to increase their buying.

PART III

Directions: This scramblegram contains words from the vocabulary list or the discussion in Chapter 4. Unscramble the words. Then complete each sentence by filling in the appropriate word or term. Blank lines indicate the number of words needed to complete the sentence. Six scrambled terms are multiple words.

- A. r t n u c r e
- B. e l i t d f a n o
- C. s o t d m p d c o g s e r i r c t o u s
- D. a l i f i n n t o
- E. u n b s i s c l s e e y c
- F. o u c i v p i y t d r t
- G. t n a s t c o n
- H. s r e m u a e
- I. u r k o e h r r w o
- J. e a r p p i c a t
- K. o e t p s r y r p i
- L. e i n e s o d r p s
- M. e a t u p u a p i t o c r p t
- N. y v r e e c r o
- O. y b s e r a a e

1. The movement of our economy from one condition to another and back again is called the _____.
2. In comparing GDP, current prices are adjusted to find the GDP at _____ prices.
3. Another term for productivity is output per _____.
4. The low point in the business cycle is called _____.
5. One way to measure economic growth is to find out what the _____ is.
6. Because prices change from year to year, GDP at _____ prices may not give an accurate picture of economic growth.
7. The number of goods one worker on the average can produce in an hour is called _____.
8. GDP and productivity are two ways we can _____ economic growth.
9. The year chosen to compare an item, such as price, to the same item in another year is called the _____.
10. A phase of the business cycle when employment is rising and consumers start buying again is called _____.
11. _____ is a decrease in the general price level.
12. The high point of the business cycle is called _____.
13. The term _____ means "per person."
14. _____ is an increase in the general price level.
15. _____ is the total value of all final goods and services produced in a country in one year.

ACTIVITIES**Applying Information**

In times of prosperity, the level of employment rises. However, jobs increase more in some industries than in others. In some industries, jobs decrease even in times of prosperity if the production of goods to satisfy needs and wants is changing. The 2001 *Statistical Abstract of the United States* contains the following employment data for sectors of our economy.

| INDUSTRY | EMPLOYMENT (in millions) | | PERCENTAGE OF CHANGE | RANK IN NO. OF JOBS |
|---|-----------------------------|------|-------------------------|------------------------|
| | 1990 | 1999 | | |
| Services | 39.3 | 48.7 | _____ | _____ |
| Finance, Real Estate | 8.1 | 8.8 | _____ | _____ |
| Wholesale/Retail | 24.6 | 27.6 | _____ | _____ |
| Construction | 7.8 | 9.0 | _____ | _____ |
| Transportation, Communication, and Public Utilities | 8.2 | 9.6 | _____ | _____ |
| Manufacturing | 21.3 | 20.1 | _____ | _____ |

- Determine the percentage of change in each of the categories and record it in the table. Round off your answers to the nearest percent.
- Was there a decrease in employment in any category? _____ If so, which one(s)? _____
- Rank the categories based on the total number of people employed in each in 1999. In which category were most people employed? _____
- What category experienced the greatest percentage of increase? _____ . What was the increase expressed as the number of people employed in the category? _____
- It is said that our society is changing from a "smokestack" economy to a services and communications economy. What evidence do you find in this table to substantiate that statement?

Applying Math Skills

You learned in Chapters 3 and 4 that productivity is the quantity of output produced by the average worker in one hour. You also learned that high productivity has enabled the United States to achieve a standard of living that is among the highest in the world. In Chapter 4, you learned that productivity is one way to measure the growth of the economy.

The table below shows the index of productivity for a recent three-year period for the United States and six other nations. The 2001 *Statistical Abstract of the United States* used 1995 as the base year with which to compare the data.

Study the table and answer the questions that follow it.

INDEX FOR INDUSTRIAL PRODUCTION FOR SELECTED COUNTRIES
1995 = 100

| COUNTRY | 1997 | 1998 | 1999 | AMOUNT OF INCREASE OR DECREASE 1997-1999 |
|---------------|-------|-------|-------|--|
| Canada | 107.3 | 108.3 | 113.2 | _____ |
| Germany | 104.1 | 108.5 | 110.2 | _____ |
| Greece | 102.5 | 109.8 | 114.1 | _____ |
| Japan | 106.0 | 99.0 | 99.8 | _____ |
| Norway | 109.0 | 108.4 | 108.1 | _____ |
| Sweden | 107.6 | 112.1 | 115.5 | _____ |
| Switzerland | 105.0 | 108.0 | 112.0 | _____ |
| United States | 110.8 | 117.2 | 122.1 | _____ |

- Compared to the base year 1995, has any nation shown a decrease in productivity in any of these three years? If so, which nation(s)? To show a decrease, the index would be below what number?

- Have any nations shown a decrease in productivity from 1997 to 1998? _____ If so, which ones?

- Calculate the change in productivity from 1997 to 1999 for each nation and record the amount in the table. Which nation has shown the greatest increase? _____ What was the amount of the increase?

- Which nations have shown decreases from 1997 to 1999?

- The United States productivity increase between 1997 and 1999 was quite large; does that mean that it produced more than the other countries in that time?

- The United States produced at a productivity index of 122.1 in 1999. What does this mean in terms of a comparison with 1995?

