



# Section 1: Quiz Unemployment

CHAPTER 13

### A. Key Terms

Match the descriptions of types of unemployment in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

#### Column I

- \_\_\_ 1. when a period of steady work is followed by a period of unemployment each year
- \_\_\_ 2. when unemployment rises during economic downturns and falls when the economy improves
- \_\_\_ 3. when people change jobs or get laid off
- \_\_\_ 4. when the skills of workers do not match the jobs that are available

#### Column II

- a. seasonal unemployment
- b. cyclical unemployment
- c. frictional unemployment
- d. structural unemployment

### B. Main Ideas

Write the letter of the correct answer in the blank provided.

- \_\_\_ 5. How can changes in technology or consumer demand make it difficult for people to get jobs?
  - a. by making it difficult for people to buy what they want
  - b. by changing the number or kind of jobs available
  - c. by creating a demand for things that are not available
  - d. by making it possible for some people to work fewer hours
- \_\_\_ 6. What does the unemployment rate represent?
  - a. the total number of people who are not employed
  - b. the total number of people who are unable to find work
  - c. the percentage of the total population that is not employed
  - d. the percentage of the total work force that is unemployed
- \_\_\_ 7. What does "full employment" mean?
  - a. There is no cyclical unemployment.
  - b. Every person who wants to work has a job.
  - c. Approximately 80 percent of people have jobs.
  - d. Those who want to work have full-time jobs.
- \_\_\_ 8. What can happen to the economy when the level of unemployment is very low?
  - a. It can make it difficult for some to find jobs.
  - b. It can create a booming economy.
  - c. It can cause wages and prices to rise.
  - d. It does not have a predictable effect.
- \_\_\_ 9. Why don't government planners try to end seasonal unemployment?
  - a. It would eliminate too many jobs.
  - b. Many people do not want to work all year.
  - c. It would be too expensive.
  - d. It is a natural part of a healthy economy.
- \_\_\_ 10. What is the term for a situation in which a person is overqualified for the job he or she has?
  - a. partial employment
  - b. underemployment
  - c. low-skilled work
  - d. discouraged worker

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## 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. _____
2. _____	2. structural unemployment
3. lack of education or training for skills in demand	3. _____
4. _____	4. frictional unemployment
5. a healthy economy that is working properly	5. _____
6. _____	6. seasonal unemployment
7. _____	7. very low unemployment
8. _____	8. structural unemployment
9. development of new technologies	9. _____
10. _____	10. cyclical unemployment
11. _____	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 \_\_\_\_\_, 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 \_\_\_\_\_ is so low.
14. People who do not finish high school often suffer from \_\_\_\_\_.
15. With \_\_\_\_\_, 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 \_\_\_\_\_.
17. My aunt who left her job to care for her sick mother and is now looking for work is an example of \_\_\_\_\_.

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## Section 2: Quiz

# Inflation

### A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

#### Column I

- \_\_\_ 1. a general increase in prices
- \_\_\_ 2. income that does not increase even when prices go up
- \_\_\_ 3. a sustained drop in the prices of goods
- \_\_\_ 4. a measurement that shows how the average cost of goods or services changes over time
- \_\_\_ 5. rising wages causing higher prices which cause higher wages

#### Column II

- a. price index
- b. wage-price spiral
- c. fixed income
- d. inflation
- e. deflation

### B. Main Ideas

Write the letter of the correct answer in the blank provided.

- \_\_\_ 6. What is the Consumer Price Index?
  - a. a measure of prices of housing and rental costs all over the country
  - b. an index of prices of items used by manufacturers and retailers
  - c. an index determined by measuring the price of standard goods bought by urban consumers
  - d. an index of the cost of living for all U.S. consumers
- \_\_\_ 7. During a time of chronic inflation, what is one of the problems of businesses?
  - a. They are unable to decide what to manufacture.
  - b. They are unable to project what their costs will be.
  - c. They do not know whether they will be able to borrow money.
  - d. They do not know whether their products will be saleable.
- \_\_\_ 8. Which theory says that inflation occurs when the demand for goods exceeds the existing supply?
  - a. quantity theory
  - b. cost-push theory
  - c. supply-and-demand theory
  - d. demand-pull theory
- \_\_\_ 9. What typically happens to the inflation rate when unemployment falls to very low levels?
  - a. It rises.
  - b. It falls.
  - c. It stays the same.
  - d. It will rise or fall but not with the unemployment rate.
- \_\_\_ 10. If a person has money invested at 9 percent and the rate of inflation is 5 percent, how much return are they actually making on their investment?
  - a. 14 percent
  - b. 9 percent
  - c. 4 percent
  - d. 1 percent

# Economic Detective Troubles in Hitechum



## Problem

Hitechum is a small, industrialized nation that had long enjoyed full employment. Its economy is based on the production of modems for personal computers. The workforce is educated and highly trained, but technological advances have begun to reduce demand for Hitechum's modems. The nation is faced with mounting woes. Use what you have learned in this chapter to answer the questions that follow.



### Investigation 1

As demand for modems drops and industry lays off workers, Hitechum experiences rising unemployment. There has always been some seasonal unemployment, but now a new type of unemployment plagues the economy. Industry diversifies by moving into new product lines, such as devices for downloading music from the Internet. Still, many workers find that their skills are no longer needed. Some workers take lower paying jobs; others find only part-time work.

1. Identify the new type of unemployment that Hitechum is confronted with, and describe its causes. \_\_\_\_\_  
\_\_\_\_\_
2. How would Hitechum's government determine the unemployment rate? \_\_\_\_\_  
\_\_\_\_\_
3. What do economists call a situation in which people work at a job for which they are overqualified? \_\_\_\_\_  
\_\_\_\_\_



### Investigation 2

A new concern for the citizens of Hitechum is inflation. Creeping inflation has been present in the economy for years, but now rising costs for raw materials start forcing producers of downloading devices to raise prices. Workers' productivity declines as they retrain for new jobs. In one year, the cost of many food items rises by about 15 percent. When the inflation rate continues to increase, government economists struggle to track rising prices and calculate the inflation rate.

1. How would developing a consumer price index help government economists? \_\_\_\_\_  
\_\_\_\_\_
2. What type of inflation does Hitechum face? \_\_\_\_\_  
\_\_\_\_\_
3. How will inflation affect the purchasing power of Hitechum's citizens? \_\_\_\_\_  
\_\_\_\_\_



### Investigation 3

As the economic situation in Hitechum worsens, some citizens are no longer able to support their families. They receive government assistance in the form of food stamps, housing subsidies, and medical benefits. Some people complain that these programs are wasteful and actually harm the people they intend to help by making them dependent and less likely to help themselves. The government reforms its aid programs by requiring recipients to work in exchange for assistance. Over a period of several months, the job market begins to expand.

1. What programs does Hitechum first develop to combat poverty? \_\_\_\_\_  
\_\_\_\_\_
2. Some people criticize government programs for being wasteful or harmful to the people they intend to help. How does the government respond? \_\_\_\_\_  
\_\_\_\_\_
3. How might the government's latest welfare program have helped the job market to expand? \_\_\_\_\_  
\_\_\_\_\_

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