

GUIDED READING Activity 17-1

For use with textbook pages 441–445

UNEMPLOYMENT AND INFLATION

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.

stabilization policies underground economy cost-push inflation inflation	unemployment rate demand-pull inflation fiscal policies frictional unemployment	full employment stagflation fixed incomes economy
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Introduction/Measuring Unemployment

Two of the biggest threats to the nation's economy are high unemployment and **1** _____. To keep the economy stable and healthy, the federal government uses monetary and **2** _____. Together these are called **3** _____. Economists use statistics such as the **4** _____, or the percentage of civilian laborers without a job but actively looking for work, to judge the economy. Maintaining a low unemployment rate is one of the major goals in stabilizing the **5** _____. There are different types of unemployment including cyclical, structural, seasonal, and **6** _____. Most economists consider the economy at **7** _____ when less than 5 percent of the population is unemployed. Survey results of unemployment can be wrong due to many factors including the **8** _____, when people do not follow federal and state laws with respect to reporting earnings.

Inflation

A second major problem with the economy can be **9** _____, or the unpredictable rising of prices. Inflation is normally a serious problem for those people who live on **10** _____, such as those who are retired. The theory of **11** _____ states that prices rise as the result of excessive business and consumer demand. The demand-pull theory assumes that increased demand will increase output and reduce **12** _____, but rising prices and unemployment can happen at the same time. This leads to **13** _____—the combination of inflation and low economic activity. The theory of **14** _____ states that the wage demands of labor unions and the excessive profit motive of large corporations push prices up. During periods of cost-push inflation, **15** _____ can remain high.