

Guided Reading Activity

Economic Instability

Lesson 1 *Business Cycles and Economic Instability*

Review Questions

Directions: Read each main idea and answer the questions below. Use your textbook to find the answers to the questions.

A. Business Cycles: Characteristics and Causes

Main Idea: The economy naturally goes through cycles of recession and expansion, which are caused by a number of factors.

1. Describe the two phases of the business cycle and their key characteristics.

2. What are some events that cause recessions to begin?

B. Business Cycles in the United States

Main Idea: The United States has experienced many cycles of recession and recovery, including the Great Depression of the 1930s and the Great Recession of 2008–2009.

1. What was the Great Depression?

2. What caused the Great Depression?

3. How did the United States recover from the Great Depression?

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4. What were the effects of the Great Recession on people in the United States?

C. Predicting the Business Cycle

Main Idea: Economists use several different models to predict how the economy will act in the future.

1. What leading economic indicators do economists use to predict a change in future GDP?

2. What is an econometric model?

Summary and Reflection

Directions: Summarize the main ideas of this lesson by answering the question below.

How does understanding business cycles help you to understand the larger economy?
