**UNIT #9 – CIVICS & ECONOMICS – NOTES / READING GUIDE**

**§9.1 – INTERNATIONAL TRADE**

WHY NATIONS TRADE (p. 707-708)

* Nations trade with one another to obtain g\_\_\_\_\_\_/s\_\_\_\_\_\_\_\_\_\_\_ they themselves cannot produce e\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* No country produces everything it needs to s\_\_\_\_\_\_\_\_\_\_\_, & d\_\_\_\_\_\_\_\_\_\_\_ on other c\_\_\_\_\_\_\_\_\_\_\_\_\_
* Because of i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ t\_\_\_\_\_\_\_\_,
  + Americans eat f\_\_\_\_\_\_\_ during the w\_\_\_\_\_\_\_ that is grown in C\_\_\_\_\_\_\_ A\_\_\_\_\_\_\_\_\_\_\_\_, and
  + American-made c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are sold in A\_\_\_\_\_\_\_\_\_ & A\_\_\_\_\_
* Trade involves:
  + E\_\_\_\_\_\_\_\_\_\_\_\_: goods/services that are s\_\_\_\_\_\_\_ to other countries
  + I\_\_\_\_\_\_\_\_\_\_\_\_: goods/services that are p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ from other countries
* Obtaining scarce goods:
  + Trade is one way that countries solve the problem of s\_\_\_\_\_\_\_\_\_\_\_\_
  + Nations trade because they could not otherwise \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or have them as c\_\_\_\_\_\_\_\_\_
  + U.S. i\_\_\_\_\_\_\_\_\_\_\_\_\_ industrial diamonds from other countries because we have almost no d\_\_\_\_\_\_\_\_\_\_\_
  + Other countries cannot produce commercial a\_\_\_\_\_\_\_\_\_\_\_\_ because they lack the necessary f\_\_\_\_\_\_\_\_\_\_\_\_\_ or s\_\_\_\_\_\_\_\_\_ w\_\_\_\_\_\_\_\_\_\_, so we e\_\_\_\_\_\_\_\_\_\_\_ them to these countries
* Comparative advantage:
  + The main reason countries trade with one another is c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ a\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, or the ability for a country to produce a good at a r\_\_\_\_\_\_\_\_\_\_\_\_\_ l\_\_\_\_\_\_\_\_\_ c\_\_\_\_\_\_\_ than another country can
  + Ex.: The U.S. could make t\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, but other countries can make them at a l\_\_\_\_\_\_\_\_ c\_\_\_\_\_\_\_; therefore, the U.S. i\_\_\_\_\_\_\_\_\_\_\_\_\_\_ televisions from abroad
  + Specialization: one effect of comparative advantage is that nations s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, or focus their s\_\_\_\_\_\_\_\_ resources to produce goods/services that they can produce b\_\_\_\_\_\_\_ than o\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_\_\_\_
  + Factors of production: comparative advantage can be based on n\_\_\_\_\_\_\_\_\_\_ r\_\_\_\_\_\_\_\_\_\_\_\_\_\_, l\_\_\_\_\_\_\_, & h\_\_\_\_\_\_\_\_/p\_\_\_\_\_\_\_\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_\_\_\_\_
    - Ex.: S\_\_\_\_\_\_ A\_\_\_\_\_\_\_ has huge deposits of o\_\_\_ that allows them to e\_\_\_\_\_\_\_\_\_ to other countries
    - Ex.: The U.S. has many h\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_ workers & a\_\_\_\_\_\_\_\_\_\_\_\_ t\_\_\_\_\_\_\_\_\_\_\_\_\_ which gives it a comparative advantage in making e\_\_\_\_\_\_\_\_\_\_\_\_\_ products such as aircraft & w\_\_\_\_\_\_\_\_
  + Creating jobs: supporters of expanded international trade argue that it creates j\_\_\_\_\_
    - Because countries have comparative advantages in certain areas, they can e\_\_\_\_\_\_\_\_\_ these products to other countries, winning more o\_\_\_\_\_\_\_, requiring these businesses to h\_\_\_\_\_ m\_\_\_\_\_\_ w\_\_\_\_\_\_
    - Ex.: If American airplane makers only built planes for American airline companies, they would have a l\_\_\_\_\_\_\_\_\_ m\_\_\_\_\_\_\_\_\_; but if they e\_\_\_\_\_\_\_\_\_ planes, they win more o\_\_\_\_\_\_\_\_\_, which leads to h\_\_\_\_\_\_\_\_\_\_ more workers

RESTRICTIONS & INTEGRATION (p. 708-710)

* Countries sometimes try to p\_\_\_\_\_\_\_\_\_\_\_ their e\_\_\_\_\_\_\_\_\_\_\_\_\_\_ by setting up t\_\_\_\_\_\_\_ b\_\_\_\_\_\_\_\_\_
  + Many c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ like to buy f\_\_\_\_\_\_\_\_\_\_-m\_\_\_\_\_\_\_, or i\_\_\_\_\_\_\_\_\_\_\_, g\_\_\_\_\_\_ because they are c\_\_\_\_\_\_\_\_\_\_\_ than goods made in their own countries
  + When this happens, companies in the c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ own country l\_\_\_\_\_ s\_\_\_\_\_\_\_, leading to l\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_\_\_\_\_ & l\_\_\_\_-o\_\_\_\_\_\_ of w\_\_\_\_\_\_\_\_\_
  + When this happens, affected workers & industries often d\_\_\_\_\_\_\_\_\_ that g\_\_\_\_\_\_\_\_\_\_\_\_ step in & p\_\_\_\_\_\_\_\_\_\_ their i\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Two ways that governments set up barriers to international trade are t\_\_\_\_\_\_\_ & q\_\_\_\_\_\_\_\_
  + T\_\_\_\_\_\_\_\_\_: t\_\_\_\_\_ on i\_\_\_\_\_\_\_\_\_\_\_\_\_\_ g\_\_\_\_\_\_ (also called c\_\_\_\_\_\_\_\_\_\_ d\_\_\_\_\_\_)
    - Ex.: If he U.S. wants to protect American s\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, it can put a t\_\_\_\_\_\_\_\_ on all important steel, thus a\_\_\_\_\_\_\_\_\_\_\_ to its price.
    - The goal of most tariffs is to make the p\_\_\_\_\_\_\_ of i\_\_\_\_\_\_\_\_\_\_\_\_ goods h\_\_\_\_\_\_\_\_\_\_\_\_ than the price of the same goods produced d\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + Q\_\_\_\_\_\_\_\_\_: l\_\_\_\_\_\_\_ on the a\_\_\_\_\_\_\_\_\_\_ of f\_\_\_\_\_\_\_\_\_\_\_ g\_\_\_\_\_\_\_ that are i\_\_\_\_\_\_\_\_\_\_\_\_\_
    - Sometimes people want a foreign-made product so badly that h\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_\_ have l\_\_\_\_\_\_\_\_ e\_\_\_\_\_\_\_\_, that they will p\_\_\_\_\_\_\_\_\_\_\_\_\_\_ them anyway
    - Ex.: During 1970s, J\_\_\_\_\_\_\_\_\_\_\_\_-made cars were so p\_\_\_\_\_\_\_\_\_\_\_\_ in the U.S., that the j\_\_\_\_\_ of American car manufacturers were threatened; President Reagan eventually placed a q\_\_\_\_\_\_\_ on Japanese-made cars to protect American car manufacturers
* Free trade:
  + Most policymakers in government agree that c\_\_\_\_\_\_\_ of trade barriers are h\_\_\_\_\_\_\_\_ than their b\_\_\_\_\_\_\_\_
  + Therefore, most countries now try to r\_\_\_\_\_\_\_\_ t\_\_\_\_\_\_\_ b\_\_\_\_\_\_\_\_\_\_
  + F\_\_\_\_\_ t\_\_\_\_\_\_\_: r\_\_\_\_\_\_\_\_\_\_\_\_ or elimination of b\_\_\_\_\_\_\_\_\_\_\_ to t\_\_\_\_\_\_
* Trade agreements:
  + E\_\_\_\_\_\_\_\_\_\_ U\_\_\_\_\_\_\_\_ (EU): organization of European countries where there are no trade barriers
    - G\_\_\_\_\_\_/s\_\_\_\_\_\_\_\_\_ & w\_\_\_\_\_\_\_\_\_ move f\_\_\_\_\_\_\_\_ among these member c\_\_\_\_\_\_\_\_\_\_\_\_
    - In 2002, EU countries became even more closely linked when most member countries began to use a c\_\_\_\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ called the e\_\_\_\_\_\_
  + North American Free Trade Agreement (\_\_\_\_\_\_\_\_\_): signed by \_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_, & \_\_\_\_\_\_\_\_\_\_\_\_
    - Pact to eventually e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ all t\_\_\_\_\_\_\_ b\_\_\_\_\_\_\_\_\_\_ among the three countries
    - O\_\_\_\_\_\_\_\_\_\_\_\_ of NAFTA argue that American workers would l\_\_\_\_\_\_ their jobs because U.S. companies would move to M\_\_\_\_\_\_\_\_\_ to take advantage of c\_\_\_\_\_\_\_\_\_\_ w\_\_\_\_\_\_\_\_ & less stringent laws protecting w\_\_\_\_\_\_\_\_\_ rights & the e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - S\_\_\_\_\_\_\_\_\_\_\_\_ of NAFTA argue that increased trade would stimulate g\_\_\_\_\_\_\_\_ & put more l\_\_\_\_-c\_\_\_\_\_\_ goods on the market
  + World Trade Organization (\_\_\_\_\_\_\_\_):
    - An international body that o\_\_\_\_\_\_\_\_\_\_ trade among nations
    - Organizes n\_\_\_\_\_\_\_\_\_\_\_\_\_\_ about trade r\_\_\_\_\_\_\_, provides h\_\_\_\_\_ to countries trying to d\_\_\_\_\_\_\_\_\_\_\_ their economies, & settles trade d\_\_\_\_\_\_\_\_\_\_\_ between countries
    - Opponents argue that WTO policies favor large c\_\_\_\_\_\_\_\_\_\_\_\_\_\_ over w\_\_\_\_\_\_\_\_\_, the e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, & p\_\_\_\_\_\_ countries

FINANCING TRADE (p. 712-713)

* The USA uses the d\_\_\_\_\_\_\_\_\_ as its m\_\_\_\_\_\_\_\_\_ of e\_\_\_\_\_\_\_\_\_\_\_\_\_\_, while Mexico uses the p\_\_\_\_\_\_ & Japan uses the y\_\_\_.
* E\_\_\_\_\_\_\_\_\_\_\_\_\_\_ r\_\_\_\_\_\_: the p\_\_\_\_\_\_ of your nation’s currency in terms of another nation’s
* Exchange rates have an important effect on a nation’s b\_\_\_\_\_\_\_\_\_\_\_\_ of t\_\_\_\_\_\_\_\_\_ because they are f\_\_\_\_\_\_\_\_\_, or adjustable, and can change d\_\_\_\_\_\_\_.
* Balance of trade: the d\_\_\_\_\_\_\_\_\_\_\_\_\_ between the v\_\_\_\_\_\_\_ of a nation’s e\_\_\_\_\_\_\_\_\_\_ & i\_\_\_\_\_\_\_\_\_\_
  + Balance of trade = (value of e\_\_\_\_\_\_\_\_\_\_) – (value of i\_\_\_\_\_\_\_\_\_\_\_\_)
  + P\_\_\_\_\_\_\_\_\_\_\_\_\_ balance of trade: when the value of a nation’s e\_\_\_\_\_\_\_\_\_\_ exceeds the value of a nation’s i\_\_\_\_\_\_\_\_\_\_\_
    - \_\_\_\_\_\_\_\_\_\_\_\_\_ > \_\_\_\_\_\_\_\_\_\_\_\_\_
    - \_\_\_\_\_\_\_\_\_\_\_\_\_ - \_\_\_\_\_\_\_\_\_\_\_\_ > 0
    - Also known as a t\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_
  + N\_\_\_\_\_\_\_\_\_\_\_\_\_ balance of trade: when the value of i\_\_\_\_\_\_\_\_\_\_\_ coming into a country exceeds the value of e\_\_\_\_\_\_\_\_\_\_\_ going out of that country
    - \_\_\_\_\_\_\_\_\_\_\_\_\_ < \_\_\_\_\_\_\_\_\_\_\_\_\_
    - \_\_\_\_\_\_\_\_\_\_\_\_\_ - \_\_\_\_\_\_\_\_\_\_\_\_ < 0
    - Also known as a t\_\_\_\_\_\_\_\_ d\_\_\_\_\_\_\_\_\_\_\_
    - Trade deficits cause the value of the d\_\_\_\_\_\_\_\_\_ to d\_\_\_\_\_\_\_\_\_\_\_ in foreign e\_\_\_\_\_\_\_\_\_\_\_\_\_\_ m\_\_\_\_\_\_\_\_\_, usually causing u\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in i\_\_\_\_\_\_\_\_\_ industries & rising e\_\_\_\_\_\_\_\_\_\_\_\_ in e\_\_\_\_\_\_\_\_\_ industries

GLOBAL INTERDEPENDENCE (p. 735)

* Today, we live in an era of g\_\_\_\_\_\_\_\_ e\_\_\_\_\_\_\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, in which countries depend on one another for goods, services, & natural resources
* Advantages:
  + Business can make greater p\_\_\_\_\_\_\_\_\_ because they have more m\_\_\_\_\_\_\_\_\_ in which to sell
  + Greater c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ can result in lower p\_\_\_\_\_\_\_\_\_\_\_\_ & a wider c\_\_\_\_\_\_\_\_ of products
* Disadvantages:
  + May force weaker companies that cannot c\_\_\_\_\_\_\_\_\_\_\_\_ out of b\_\_\_\_\_\_\_\_\_\_\_\_\_, hurting the e\_\_\_\_\_\_\_\_\_\_\_\_ of some countries & costing workers their j\_\_\_\_\_
  + Large corporations can out-maneuver smaller businesses by relocating to countries with less stringent laws protecting w\_\_\_\_\_\_\_\_\_ & the e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* P\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: protecting domestic i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ from f\_\_\_\_\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, usually through the use of t\_\_\_\_\_\_\_\_\_ or q\_\_\_\_\_\_\_\_ on imports

**UNIT #9 – CIVICS & ECONOMICS – NOTES / READING GUIDE**

**§9.2 – DEMAND & FACTORS THAT AFFECT DEMAND**

INTRODUCTION TO DEMAND (p. 569)

* Demand is the d\_\_\_\_\_\_\_\_\_\_\_\_, w\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, & a\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to buy a good/service
  + Desire: consumer must w\_\_\_\_\_\_\_ the good/service
  + Willingness: consumer must be w\_\_\_\_\_\_\_\_\_\_\_ to buy the good/service
  + Ability: consumer must have the r\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to buy good/service
* Individual demand schedule & individual demand curve:
  + Demand schedule: a t\_\_\_\_\_\_\_\_ that l\_\_\_\_\_\_ the various q\_\_\_\_\_\_\_\_\_\_\_\_\_ of a good/service that someone is w\_\_\_\_\_\_\_\_\_\_\_ to b\_\_\_\_\_ over a r\_\_\_\_\_\_\_ of p\_\_\_\_\_\_\_\_
  + Demand curve: a g\_\_\_\_\_\_\_ that shows the a\_\_\_\_\_\_\_\_\_\_\_ of a good/service that would be b\_\_\_\_\_\_\_\_\_\_\_ at all possible p\_\_\_\_\_\_\_\_ in the m\_\_\_\_\_\_\_\_\_\_
    - P\_\_\_\_\_\_\_\_ is drawn on the v\_\_\_\_\_\_\_\_\_\_\_\_ a\_\_\_\_\_\_ (or *y*-axis)
    - Q\_\_\_\_\_\_\_\_\_\_\_\_\_ is drawn on the h\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ a\_\_\_\_\_\_\_ (or *x*-axis)
    - Each point on the curve shows the q\_\_\_\_\_\_\_\_\_\_\_\_, or how many u\_\_\_\_\_\_ an individual will b\_\_\_\_\_ at any particular p\_\_\_\_\_\_\_\_
    - Each p\_\_\_\_\_\_\_ on the graph should match the corresponding p\_\_\_\_\_\_ & q\_\_\_\_\_\_\_\_\_\_\_\_ in the d\_\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - You can see that the demand curve slopes d\_\_\_\_\_\_\_\_\_\_\_\_\_\_, or has a negative slope
    - The demand curve slopes downward because people are normally willing to buy l\_\_\_\_\_\_ of a good/service if the p\_\_\_\_\_\_\_ is h\_\_\_\_\_ & buy m\_\_\_\_\_\_ if the p\_\_\_\_\_\_\_ is l\_\_\_\_
* The law of demand:
  + ALL ELSE BEING EQUAL, q\_\_\_\_\_\_\_\_\_\_\_ & p\_\_\_\_\_\_ move in o\_\_\_\_\_\_\_\_\_\_\_\_ directions
  + People will ordinarily buy m\_\_\_\_\_\_ of a product at a l\_\_\_\_\_ price than at a h\_\_\_\_\_ price
  + Ex.: Increased t\_\_\_\_\_\_\_\_\_ & p\_\_\_\_\_\_\_\_ at the mall whenever there is a s\_\_\_\_\_\_

MARKET DEMAND (p. 570-572)

* Market demand is the t\_\_\_\_\_\_\_ d\_\_\_\_\_\_\_\_\_\_\_ of a\_\_\_\_ c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for a good/service
* Like individual consumer’s demand, market demand for a product can be shown as a demand schedule or a demand c\_\_\_\_\_
* Marginal utility: (p. 570)
  + Almost everything we buy provides u\_\_\_\_\_\_\_\_\_\_ - or pleasure, usefulness, or satisfaction from using the product
  + Utility for a good/service can v\_\_\_\_\_\_\_ from person to person
  + Ex.: You may get a great deal of enjoyment (high utility) from an iPad, but your friend may get very l\_\_\_\_\_\_
  + A good/service doesn’t have to have utility for e\_\_\_\_\_\_\_\_\_\_\_\_\_, only for s\_\_\_\_\_\_\_
* D\_\_\_\_\_\_\_\_\_\_\_\_\_\_ marginal utility (p. 572)
  + Marginal utility or marginal b\_\_\_\_\_\_\_\_\_\_\_\_\_ [HINT: THINK BACK TO UNIT #6] is the a\_\_\_\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ we get from consuming o\_\_\_\_ more u\_\_\_\_\_\_ of a good/service
  + Marginal utility d\_\_\_\_\_\_\_\_\_\_\_\_\_ as more units of a good/service are consumed
  + Ex.: If you are really hungry before eating pizza, the f\_\_\_\_\_\_\_ slice will give you the most s\_\_\_\_\_\_\_\_\_\_\_\_\_ (and you will be willing to pay a h\_\_\_\_\_\_\_\_ price for it), each slice after that gives you l\_\_\_\_\_ additional s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (and you will be willing to pay a l\_\_\_\_\_\_\_\_\_ price for each additional slice)
  + Because our marginal utility diminishes with each additional unit consumed, it stands to reason that we are not willing to pay a\_\_ m\_\_\_\_\_\_\_ for the s\_\_\_\_\_\_\_\_\_\_\_ unit of an item as we were for the f\_\_\_\_\_\_\_; likewise, we are willing to pay less for the third unit as we were for the second unit
  + D\_\_\_\_\_\_\_\_\_\_\_\_\_\_ slope of demand curve tells us that we are willing to pay the h\_\_\_\_\_\_\_\_\_ price for the f\_\_\_\_\_\_ unit we consume, a slightly l\_\_\_\_\_\_\_\_ price for the next unit, an even lower price for the third unit, and so on.

CHANGES IN DEMAND (p. 574-576)

* Several f\_\_\_\_\_\_\_\_ can cause m\_\_\_\_\_\_\_\_\_\_ d\_\_\_\_\_\_\_\_\_\_\_ for a good/service to c\_\_\_\_\_\_\_\_\_\_\_
* These changes can be g\_\_\_\_\_\_\_\_\_\_ using a m\_\_\_\_\_\_\_\_\_ d\_\_\_\_\_\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_
* If there is a d\_\_\_\_\_\_\_\_\_\_\_ in demand, the curve will shift l\_\_\_\_\_\_ of the original demand curve; in other words, FOR ANY GIVEN PRICE, DEMAND OF A GOOD (QD) WILL BE L\_\_\_\_\_\_ THAN WHAT IT WAS ORINGINALLY
* If there is an i\_\_\_\_\_\_\_\_\_\_ in demand, the curve will shift r\_\_\_\_\_\_ of the original demand curve; in other words, FOR ANY GIVEN PRICE, DEMAND OF A GOOD (QD) WILL BE M\_\_\_\_\_\_ THAN WHAT IT WAS ORINGINALLY
* Factors that determine demand:
  + Changes in p\_\_\_\_\_\_\_\_\_\_\_\_\_\_:
  + Demand for a good in a particular market area is related to the n\_\_\_\_\_\_\_\_\_\_ of consumers in the area
  + More people in an area means h\_\_\_\_\_\_\_\_\_ demand; the demand will i\_\_\_\_\_\_\_\_\_\_\_\_, so the demand curve shifts to the r\_\_\_\_\_\_\_ (DEMAND I\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_)
  + Fewer people in an area means l\_\_\_\_\_\_\_\_ demand; the demand will d\_\_\_\_\_\_\_\_\_\_\_\_\_, so the demand curve shifts to the l\_\_\_\_\_\_ (DEMAND D\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_)
  + Populations can change because of i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, higher/lower b\_\_\_\_\_\_ & d\_\_\_\_\_\_\_\_ rates
  + Changes in consumers’ i\_\_\_\_\_\_\_\_\_:
  + If the economy is growing, consumers’ incomes will tend to i\_\_\_\_\_\_\_\_\_\_\_\_; if the economy is not growing, consumers’ incomes will tend to d\_\_\_\_\_\_\_\_\_\_\_\_\_
  + If consumers’ incomes are increasing, they will have m\_\_\_\_\_ money to s\_\_\_\_\_\_\_\_ & they are able to buy m\_\_\_\_\_ of a product at a given p\_\_\_\_\_\_\_; the demand curve will shift to the r\_\_\_\_\_\_\_ (DEMAND I\_\_\_\_\_\_\_\_\_\_\_\_\_\_)
  + If consumers’ incomes are decreasing, or they have lost their jobs, they will have l\_\_\_\_\_\_ money to s\_\_\_\_\_\_\_\_\_ & they will be able to buy l\_\_\_\_\_\_ of a product at a given p\_\_\_\_\_\_\_; the demand curve will shift to the l\_\_\_\_\_\_ (DEMAND D\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_)
  + Changes in consumers’ t\_\_\_\_\_\_\_\_\_ or preferences:
  + The p\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of a product can affect demand
  + When a product becomes p\_\_\_\_\_\_\_\_\_\_\_\_, more people are willing to buy it at any given price; the demand curve will shift to the r\_\_\_\_\_\_\_\_ (DEMAND I\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_)
  + When a product f\_\_\_\_\_\_\_ in popularity, fewer people are willing to buy it at any given price; the demand curve will shift to the l\_\_\_\_\_\_\_ (DEMAND D\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_)
  + Ex.: During holiday shopping season, new product may become a “m\_\_\_\_\_\_-b\_\_\_\_” of the year, so for any given p\_\_\_\_\_\_, demand will be h\_\_\_\_\_\_\_\_\_ than what it would ordinarily be
  + Ex.: After Halloween, the demand for Halloween candy will d\_\_\_\_\_\_\_\_\_\_\_\_\_, because consumers are willing to buy l\_\_\_\_\_\_ of it for any given price
  + Changes in consumers’ e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:
  + Expectations refer to the way we think about the f\_\_\_\_\_\_\_\_\_\_
  + If consumers are excited about a technological breakthrough in the near future, they may be willing to buy l\_\_\_\_\_ current technology; demand curve will shift l\_\_\_\_\_\_ (DEMAND D\_\_\_\_\_\_\_\_\_\_\_\_\_)
  + If consumers are w\_\_\_\_\_\_\_\_ about the economy, they may be will to buy l\_\_\_\_\_\_\_\_ consumer goods; the demand curve will shift to the l\_\_\_\_\_\_ (DEMAND D\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_)
  + If consumers expect a s\_\_\_\_\_\_\_\_\_\_\_\_ of a good, such as g\_\_\_\_\_\_\_\_\_\_\_\_, they tend to s\_\_\_\_\_\_\_ u\_\_ on it; the demand curve will shift to the r\_\_\_\_\_\_\_\_ (DEMAND I\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_)
  + P\_\_\_\_\_\_\_\_\_\_\_\_-r\_\_\_\_\_\_\_\_\_\_\_ changes:
  + Factors that shift demand can be related to the p\_\_\_\_\_\_\_\_\_\_\_\_\_ themselves
  + Demand can be influenced by the p\_\_\_\_\_\_\_ or q\_\_\_\_\_\_\_\_\_\_\_\_\_ of r\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_\_\_\_\_\_
  + Ex.: Demand for older computers d\_\_\_\_\_\_\_\_\_\_\_\_\_ when faster models come out
  + Ex.: Demand for a brand of tire may i\_\_\_\_\_\_\_\_\_\_\_\_\_\_ if another brand has s\_\_\_\_\_\_\_\_ problems
  + Changes in the p\_\_\_\_\_\_\_\_ of r\_\_\_\_\_\_\_\_\_\_\_\_ g\_\_\_\_\_\_\_:
  + Two types of related goods: s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ & c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + Substitute goods: when consumers can use one good \_\_\_ \_\_\_\_\_\_\_\_\_\_\_ of another
    - * + Ex.: b\_\_\_\_\_\_\_\_\_ & m\_\_\_\_\_\_\_\_\_\_\_\_\_\_; hot dogs & hamburgers
        + If price of one good increases, demand for the other good will i\_\_\_\_\_\_\_\_\_\_\_\_\_ & the demand curve will shift to the r\_\_\_\_\_\_\_; if the price of one good decreases, demand for the other good will d\_\_\_\_\_\_\_\_\_\_\_\_\_ & the demand curve will shift to the l\_\_\_\_\_\_\_
  + Complementary goods: when consumers buy goods that are u\_\_\_\_\_\_ t\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Ex.: lightbulbs & l\_\_\_\_\_\_\_, peanut butter & j\_\_\_\_\_\_

If price of one good increases, demand for the other good will d\_\_\_\_\_\_\_\_\_\_\_\_\_ & the demand curve will shift to the l\_\_\_\_\_\_; if the price of one good decreases, demand for the other good will i\_\_\_\_\_\_\_\_\_\_\_\_\_ & the demand curve will shift to the r\_\_\_\_\_\_\_

* Change in quantity demand: ***Different from increasing or decreasing demand***
  + Change in demand refers to a s\_\_\_\_\_\_ of the e\_\_\_\_\_\_\_\_\_\_ demand curve
  + Change in quantity demanded refers to m\_\_\_\_\_\_\_\_\_\_\_\_\_ from one point on a demand curve to another
    - The only factor that directly causes a change in quantity demanded is p\_\_\_\_\_\_

ELASTICITY OF DEMAND (p. 577-578)

* Demand elasticity: the extent to which a change in p\_\_\_\_\_\_\_\_ causes a change in the q\_\_\_\_\_\_\_\_\_\_\_ d\_\_\_\_\_\_\_\_\_\_\_\_ of a good/service (HOW STRETCHY IS DEMAND WHEN PRICE CHANGES)
* Which items have elastic demand? (Small price changes can have a b\_\_\_ effect on quantity demanded)
  + When there are a\_\_\_\_\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ goods that consumers could buy instead
  + When consumers can d\_\_\_\_\_\_ purchasing an item because they think prices will go down
  + For e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, or higher-priced items, like cars
* Which items have inelastic demand? (Large price changes can have a s\_\_\_\_\_\_\_ effect on quantity demanded)
  + S\_\_\_\_\_\_\_\_\_\_\_\_\_ items (items that people ordinarily consume at certain times of the year)
  + Items with few s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (medicines, electricity, etc.)
  + N\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, or things needed for survival or health

**UNIT #9 – CIVICS & ECONOMICS – NOTES / READING GUIDE**

**§9.3 – SUPPLY & MARKET FORCES AT WORK**

INTRODUCTION TO SUPPLY (p. 581)

* Supply refers to the various q\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of a good/service that p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are willing to s\_\_\_\_\_\_ at any given market p\_\_\_\_\_\_\_\_
* We can consider supply as an o\_\_\_\_\_\_\_\_\_\_\_ of a single b\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ OR a\_\_\_\_\_ together the supply of the e\_\_\_\_\_\_\_\_\_\_\_\_ m\_\_\_\_\_\_\_\_\_\_\_
* Supply is the o\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of demand
  + B\_\_\_\_\_\_\_\_\_\_ demand different q\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of a good depending on the p\_\_\_\_\_\_\_\_ sellers ask
  + S\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ offer different q\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of a good depending on the p\_\_\_\_\_\_\_\_\_ buyers are willing to pay
* Law of supply:
  + As the p\_\_\_\_\_\_\_\_\_\_ rises or increases for a good, the q\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (QS) also i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_; price and quantity supplied change in the s\_\_\_\_\_\_\_\_\_ direction
  + The h\_\_\_\_\_\_\_\_\_\_ the price of a good, the greater the i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is for a producer to produce m\_\_\_\_\_\_\_ of that good
  + Like demand, individual and market supply can be represented in a t\_\_\_\_\_\_\_\_\_ as a s\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and in a g\_\_\_\_\_\_\_\_\_\_\_ with the s\_\_\_\_\_\_\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_\_\_\_

GRAPHING THE SUPPLY CURVE (p. 583-584)

* While the demand curve has a d\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (or negative) slope, the supply curve has an u\_\_\_\_\_\_\_\_\_\_\_\_ (or positive slope), reflecting the fact that suppliers/producers are generally willing to offer m\_\_\_\_\_\_\_\_ goods/services at a h\_\_\_\_\_\_\_\_\_\_ price than at l\_\_\_\_\_\_\_\_\_\_ prices
* Profit motive:
  + Businesses invest t\_\_\_\_\_\_\_\_, m\_\_\_\_\_\_\_\_\_\_\_, & other c\_\_\_\_\_\_\_\_\_\_\_ and r\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to make money
  + Businesses try to set prices at levels that allow them to c\_\_\_\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_; otherwise, they will l\_\_\_\_\_\_\_ m\_\_\_\_\_\_\_\_\_\_ (REVIEW: their c\_\_\_\_\_\_\_\_\_ will exceed their r\_\_\_\_\_\_\_\_\_\_\_\_\_, and they will incur a l\_\_\_\_\_\_\_)
  + Businesses try to earn a p\_\_\_\_\_\_\_\_\_\_\_ that is o\_\_\_\_\_\_\_ and a\_\_\_\_\_\_\_\_\_\_ its c\_\_\_\_\_\_\_\_\_
  + Making a profit is the primary m\_\_\_\_\_\_\_\_\_\_\_, or purpose, for a business
  + Producers can then use these profits to: increase w\_\_\_\_\_\_\_\_\_ of employees, i\_\_\_\_\_\_\_\_\_\_\_ money in new business projects, acquire more s\_\_\_\_\_\_\_\_\_\_, buy new e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (or p\_\_\_\_\_\_\_\_\_\_\_\_\_\_ capital), or hire new w\_\_\_\_\_\_\_\_\_\_\_\_ (or l\_\_\_\_\_\_\_\_\_\_)
* Market supply: the total combined s\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of all businesses that provide the s\_\_\_\_\_\_\_ good/service
  + MARKET SUPPLY CURVE HAS AN U\_\_\_\_\_\_\_\_\_\_\_\_\_ (OR POSITIVE) SLOPE [MARKET DEMAND CURVES HAVE A D\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (OR NEGATIVE) SLOPE]
  + Like the demand curve, the supply curve or supply can be affected by various factors, causing it to shift to the l\_\_\_\_\_\_\_ or r\_\_\_\_\_\_\_\_\_

CHANGES IN SUPPLY (p. 584-585)

* The p\_\_\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (or profit motive) is motivates producers to change supply levels at a given price
* Like changes in demand:
  + An i\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in supply will cause the supply curve to shift to the r\_\_\_\_\_\_\_, because producers are willing to sell a h\_\_\_\_\_\_\_\_\_ q\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of goods at any given price compared to the original supply curve
  + A d\_\_\_\_\_\_\_\_\_\_\_\_\_ in supply will cause the supply curve to shift to the l\_\_\_\_\_\_\_, because producers are willing to sell a l\_\_\_\_\_\_\_\_\_\_ quantity of goods at any given price compared to the original supply curve
* Factors that affect the supply curve: (p. 585)
  + C\_\_\_\_\_\_\_\_\_\_ of r\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: costs of raw materials and other f\_\_\_\_\_\_\_\_\_ of p\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - When costs of resources to produce goods/services decrease, suppliers can make a larger p\_\_\_\_\_\_\_\_ at the same price for each unit sold, so they are willing to sell m\_\_\_\_\_\_\_ at any given market price (SUPPLY I\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 🡪 SUPPLY CURVE SHIFTS R\_\_\_\_\_\_\_\_)
    - When costs of resources to produce goods/services decrease, suppliers make a smaller p\_\_\_\_\_\_\_\_\_ at the same price for each unit sold, so they are willing to sell l\_\_\_\_\_\_\_ at any given market price (SUPPLY D\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 🡪 SUPPLY CURVE SHIFTS L\_\_\_\_\_\_\_)
  + P\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:
    - When workers are more productive, businesses’ costs d\_\_\_\_\_\_\_\_\_\_\_\_\_, allowing suppliers to make a larger p\_\_\_\_\_\_\_\_ for each unit sold, so they are willing to sell m\_\_\_\_\_\_\_ at any given market price (SUPPLY I\_\_\_\_\_\_\_\_\_\_\_\_\_ 🡪 SUPPLY CURVE SHIFTS R\_\_\_\_\_\_\_\_\_)
    - When workers are less productive, businesses’ costs i\_\_\_\_\_\_\_\_\_\_\_\_\_, forcing suppliers to make a smaller p\_\_\_\_\_\_\_\_\_ for each unit sold, so they are willing to sell l\_\_\_\_\_\_ at any given market price (SUPPLY D\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 🡪 SUPPLY CURVE SHIFTS L\_\_\_\_\_\_\_)
  + T\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: new m\_\_\_\_\_\_\_\_\_\_\_\_\_ & p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that can s\_\_\_\_\_\_\_\_\_\_ up ways of doing business & c\_\_\_\_\_ c\_\_\_\_\_\_\_\_\_
    - New technology that cuts costs allows suppliers to larger profit at the same price for each unit sold, so suppliers are willing to sell m\_\_\_\_\_\_\_ at any given market price (SUPPLY I\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 🡪 SUPPLY CURVE SHIFTS R\_\_\_\_\_\_\_\_)
  + G\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_\_\_\_\_\_\_\_ & increasing t\_\_\_\_\_\_\_\_: increased government r\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, restrict, or l\_\_\_\_\_\_, supply because they cause they usually cause suppliers’ costs to i\_\_\_\_\_\_\_\_\_\_\_\_\_ (ex.: rise in m\_\_\_\_\_\_\_\_\_\_\_\_\_\_ w\_\_\_\_\_\_, or new s\_\_\_\_\_\_\_\_\_ r\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_)
    - New government regulations or taxes can increase p\_\_\_\_\_\_\_\_\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_ to suppliers, so that suppliers make a smaller profit at the same price for each unit sold, so they are willing to sell l\_\_\_\_\_\_\_ at any given market price (SUPPLY D\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 🡪 SUPPLY CURVE SHIFTS L\_\_\_\_\_\_\_)
  + S\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: government p\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, b\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, & other groups for certain actions
    - Subsidies lower the production costs to suppliers, so that suppliers make a larger profit at the same price for each unit sold, so they are willing to sell m\_\_\_\_\_\_\_ at any given market price (SUPPLY I\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 🡪 SUPPLY CURVE SHIFTS R\_\_\_\_\_\_\_\_\_\_)
  + E\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:
    - If producers expect c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ d\_\_\_\_\_\_\_\_\_\_\_ to decrease in the f\_\_\_\_\_\_\_\_\_\_\_, they will producer/supply l\_\_\_\_\_\_\_\_ (SUPPLY D\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 🡪 SUPPLY CURVE SHIFTS L\_\_\_\_\_\_\_)
    - If producers expect consumer demand to increase in the future, they will producer/supply m\_\_\_\_\_\_\_\_ (SUPPLY I\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 🡪 SUPPLY CURVE SHIFTS R\_\_\_\_\_\_\_\_)
  + N\_\_\_\_\_\_\_\_\_\_\_\_\_ of s\_\_\_\_\_\_\_\_\_\_\_\_\_\_:
    - The larger the number of suppliers, the g\_\_\_\_\_\_\_\_\_\_\_ the market supply (SUPPLY I\_\_\_\_\_\_\_\_\_\_\_\_\_ 🡪 SUPPLY CURVE SHIFTS R\_\_\_\_\_\_\_\_)
    - If suppliers leave the market, market supply goes down (SUPPLY D\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 🡪 SUPPLUY CURVE SHIFTS L\_\_\_\_\_\_\_)

ELASTICITY OF SUPPLY (p. 586)

* Supply elasticity measures how the q\_\_\_\_\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of a good/service changes in r\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to a change in p\_\_\_\_\_\_\_\_\_\_
  + If the quantity supplied changes a great deal when prices change, that good is said to be s\_\_\_\_\_\_\_\_\_ e\_\_\_\_\_\_\_\_\_\_
    - Usually, goods that can be made q\_\_\_\_\_\_\_\_\_\_ and do not require huge amounts of c\_\_\_\_\_\_\_\_\_\_ or s\_\_\_\_\_\_\_\_\_\_ l\_\_\_\_\_\_\_\_\_\_ to produce that good are supply e\_\_\_\_\_\_\_\_\_\_ (such as c\_\_\_\_\_\_\_\_\_ or most other f\_\_\_\_\_\_\_, especially during special h\_\_\_\_\_\_\_\_\_\_\_\_ times throughout the year)
  + If the quantity supplied changes very little when prices change, that good is said to be s\_\_\_\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_\_\_\_
    - Usually, goods that require suppliers/producers to i\_\_\_\_\_\_\_\_\_\_\_\_\_ large sums of money to produce that good are supply i\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (such as o\_\_\_\_\_)

**UNIT #9 – CIVICS & ECONOMICS – NOTES / READING GUIDE**

**§9.4 – DEMAND & SUPPLY AT WORK**

MARKETS & PRICES (p. 588-589)

* The opposing forces of s\_\_\_\_\_\_\_\_\_ & d\_\_\_\_\_\_\_\_\_\_ work together in the market to establish p\_\_\_\_\_\_\_
* In our economy p\_\_\_\_\_\_\_\_ form the basis of e\_\_\_\_\_\_\_\_\_\_\_\_\_ d\_\_\_\_\_\_\_\_\_\_\_\_
* Price adjustment process:
  + Markets consist of all b\_\_\_\_\_\_\_\_\_\_ & s\_\_\_\_\_\_\_\_\_\_\_ of a product
  + We label the demand curve as \_\_\_ (REVIEW: DEMAND CURVE HAS A D\_\_\_\_\_\_\_\_\_\_\_\_\_ SLOPE)
  + We label the supply curve as \_\_\_ (REVIEW: SUPPLY CURVE HAS AN U\_\_\_\_\_\_\_\_\_\_\_\_ SLOPE)
  + Where these curves i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ determines the p\_\_\_\_\_\_\_ & q\_\_\_\_\_\_\_\_\_\_\_\_\_ of product sold
  + Surplus: the amount by which the quantity s\_\_\_\_\_\_\_\_\_\_\_\_\_ exceeds, or is higher, than the quantity d\_\_\_\_\_\_\_\_\_\_\_\_
    - The surplus is shown as the h\_\_\_\_\_\_\_\_\_\_\_\_\_\_ distance between s\_\_\_\_\_\_\_\_\_ & d\_\_\_\_\_\_\_\_\_\_ curves at any price a\_\_\_\_\_\_\_\_\_ where the curves i\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - Signals that prices are too h\_\_\_\_\_\_, & that consumers are u\_\_\_\_\_\_\_\_\_\_\_\_ to pay the p\_\_\_\_\_\_\_ in large enough numbers to s\_\_\_\_\_\_\_\_\_ producer’s output
    - In a c\_\_\_\_\_\_\_\_\_\_\_\_\_\_ market, a surplus will not e\_\_\_\_\_\_\_ for long; suppliers will have to l\_\_\_\_\_\_\_\_\_ their p\_\_\_\_\_\_\_\_\_ if they want to s\_\_\_\_\_\_ all of their product
  + Shortage: the amount by which the quantity d\_\_\_\_\_\_\_\_\_\_\_\_\_ exceeds, or is higher, than the quantity s\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - The shortage is shown as the h\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ distance between the s\_\_\_\_\_\_\_\_\_\_ & d\_\_\_\_\_\_\_\_\_ curves at any price b\_\_\_\_\_\_\_\_\_ where the curves i\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - Signals that prices are too l\_\_\_\_\_, & that s\_\_\_\_\_\_\_\_\_\_\_\_ are u\_\_\_\_\_\_\_\_\_\_\_\_ to sell their goods/services in l\_\_\_\_\_\_\_\_ enough quantities to meet consumers’ d\_\_\_\_\_\_\_\_\_
    - In a c\_\_\_\_\_\_\_\_\_\_\_\_\_\_ market, shortages will not e\_\_\_\_\_\_ for long; p\_\_\_\_\_\_\_ will have to r\_\_\_\_
  + Market forces:
    - One of the b\_\_\_\_\_\_\_\_\_\_ of a competitive m\_\_\_\_\_\_\_\_\_ economy is that it e\_\_\_\_\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_\_\_ & s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - Over time, s\_\_\_\_\_\_\_\_\_\_\_\_, force prices downward
    - Over time, s\_\_\_\_\_\_\_\_\_\_\_\_\_, force prices upward
    - The process of price adjustment goes on until s\_\_\_\_\_\_\_\_\_ & d\_\_\_\_\_\_\_\_\_\_ are b\_\_\_\_\_\_\_\_\_\_\_\_
    - E\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_\_: the point where s\_\_\_\_\_\_\_\_\_\_ & d\_\_\_\_\_\_\_\_\_\_ balance
      * At this point, there is neither a s\_\_\_\_\_\_\_\_\_\_\_ nor a s\_\_\_\_\_\_\_\_\_\_\_\_\_
      * On a graph, it is where the supply and demand curves i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + Price controls:
    - Occasionally, the g\_\_\_\_\_\_\_\_\_\_\_\_\_\_ steps in & sets the p\_\_\_\_\_\_\_ of a p\_\_\_\_\_\_\_\_\_\_\_\_ because it believes the forces of supply & demand are u\_\_\_\_\_\_\_\_
      * When this happens, the new price may favor either c\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or p\_\_\_\_\_\_\_\_\_\_\_\_
      * Two forms of price controls are p\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_\_\_\_\_ & p\_\_\_\_\_\_\_ f\_\_\_\_\_\_\_\_
      * Price ceiling: a m\_\_\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_\_ set by the g\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that can be charged for a good/service
        + Ex.: city officials may set a price ceiling on what l\_\_\_\_\_\_\_\_\_\_\_\_\_ may charge for r\_\_\_\_\_\_ (also known as r\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_\_\_\_)
        + Price ceilings usually are meant to benefit c\_\_\_\_\_\_\_\_\_\_\_\_\_, such as t\_\_\_\_\_\_\_\_\_ (residents) in apartments with price ceilings in cities with rent control
        + May result in s\_\_\_\_\_\_\_\_\_\_\_\_\_\_ because the maximum price may be b\_\_\_\_\_\_\_\_ the e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_
      * Price floor: a m\_\_\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_ set by the g\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that can be charged for a good/service
        + Prevent prices from dropping too l\_\_\_\_
        + Price floors are meant to benefit p\_\_\_\_\_\_\_\_\_\_\_\_\_
        + Ex.: m\_\_\_\_\_\_\_\_\_\_\_\_\_\_ w\_\_\_\_\_\_, the lowest legal wage that workers can be paid
        + May result in a s\_\_\_\_\_\_\_\_\_\_\_\_\_\_ because the minimum price may be a\_\_\_\_\_\_\_\_ the e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_

PRICES AS SIGNALS (p. 590-592)

* In our economy, prices are s\_\_\_\_\_\_\_\_\_ that help b\_\_\_\_\_\_\_\_\_\_\_\_\_ (suppliers) & b\_\_\_\_\_\_\_\_\_\_\_\_\_ (consumers) make economic d\_\_\_\_\_\_\_\_\_\_\_\_
* Prices help answer the basic questions of economic decision-making without any one actor alone:
  + \_\_\_\_\_\_\_\_ to produce
  + \_\_\_\_\_\_ to produce
  + \_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ to produce
* What prices tell us:
  + Consumer’s p\_\_\_\_\_\_\_\_\_\_\_\_\_\_ tell help producers decide \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, in order to provide the goods/services that consumers are w\_\_\_\_\_\_\_\_ to b\_\_\_\_\_ at p\_\_\_\_\_\_\_ that allow suppliers to make a p\_\_\_\_\_\_\_\_
  + Prices alert businesses of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, including ways they can cut c\_\_\_\_\_\_\_ that will allow them to make a p\_\_\_\_\_\_\_
  + Prices also help businesses decide \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, including to whom they should a\_\_\_\_, or target, their goods/service (Do they target fewer consumers who are willing to spend m\_\_\_\_\_\_, or do they target more consumers who want to spend l\_\_\_\_\_\_?)
* Advantages of prices:
  + Prices are n\_\_\_\_\_\_\_\_\_\_\_:
    - They f\_\_\_\_\_\_\_\_\_ neither the p\_\_\_\_\_\_\_\_\_\_\_\_\_\_ nor the c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - Result of c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ between b\_\_\_\_\_\_\_\_ & s\_\_\_\_\_\_\_\_\_\_
    - Represent c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ with which both sides can live
    - The more c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the market, the more e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the p\_\_\_\_\_ a\_\_\_\_\_\_\_\_\_\_\_\_\_ process
  + Prices are f\_\_\_\_\_\_\_\_\_\_\_\_:
    - U\_\_\_\_\_\_\_\_\_\_\_\_ e\_\_\_\_\_\_\_\_ can affect supply & demand
    - Ex.: W\_\_\_\_\_\_ or n\_\_\_\_\_\_\_\_\_\_ d\_\_\_\_\_\_\_\_\_\_
    - B\_\_\_\_\_\_\_ & s\_\_\_\_\_\_\_\_\_ react to the new level of p\_\_\_\_\_\_\_ and a\_\_\_\_\_\_\_\_\_ their c\_\_\_\_\_\_\_\_\_\_\_\_\_\_ & p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ accordingly
    - Ability of price system to absorb u\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ “s\_\_\_\_\_\_\_\_” is one of its strengths
  + Prices offer f\_\_\_\_\_\_\_\_\_\_\_ of c\_\_\_\_\_\_\_\_:
    - Because a market economy typically has a v\_\_\_\_\_\_\_\_\_\_ of products at a wide range of p\_\_\_\_\_\_\_\_, consumers have many c\_\_\_\_\_\_\_\_
    - If consumers think a product is priced too h\_\_\_\_\_ a l\_\_\_\_\_\_\_-p\_\_\_\_\_\_\_\_ product can usually be found; if not, no one f\_\_\_\_\_\_\_\_ them to purchase that product
    - Conversely, in c\_\_\_\_\_\_\_\_\_\_\_ economies, b\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in the central governments plan q\_\_\_\_\_\_\_\_\_\_\_\_ of goods produced, set p\_\_\_\_\_\_\_\_, & limit product v\_\_\_\_\_\_\_\_\_\_\_\_\_ to keep production c\_\_\_\_\_\_\_ down; this often results in s\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (not enough) & lower satisfaction among c\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + Prices are f\_\_\_\_\_\_\_\_\_\_\_\_\_\_:
    - We have known about prices nearly for all of our l\_\_\_\_\_\_\_, and they are easily u\_\_\_\_\_\_\_\_\_\_\_\_\_
    - This allows us to make d\_\_\_\_\_\_\_\_\_\_\_\_\_ q\_\_\_\_\_\_\_\_\_\_\_ & e\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**UNIT #9 – CIVICS & ECONOMICS – NOTES / READING GUIDE**

**§9.5 – MEASURING THE ECONOMY & THE BUSINESS CYCLE**

MEASURING GROWTH (p. 638)

* The r\_\_\_\_\_\_\_ g\_\_\_\_\_\_\_\_\_ d\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the most a\_\_\_\_\_\_\_\_\_\_\_\_ m\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of an economy’s p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* Sometimes the economy g\_\_\_\_\_\_\_, and sometimes it f\_\_\_\_\_\_\_\_\_ (or contracts).
* Economic growth is usually b\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:
  + It usually means that businesses are p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ more goods/services, meaning they have to h\_\_\_\_\_\_ more w\_\_\_\_\_\_\_\_\_
  + When these new workers are hired, they have more m\_\_\_\_\_\_\_\_\_ (income) & b\_\_\_\_ m\_\_\_\_\_\_\_, meaning increased consumer d\_\_\_\_\_\_\_\_\_\_\_ & increased p\_\_\_\_\_\_\_\_\_\_\_\_\_\_ among businesses & suppliers
* G\_\_\_\_\_\_\_ d\_\_\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_\_\_\_\_\_\_ (\_\_\_\_\_\_) is a m\_\_\_\_\_\_\_\_\_\_\_\_\_ of the economy’s o\_\_\_\_\_\_\_\_; it is the d\_\_\_\_\_\_\_\_\_ v\_\_\_\_\_\_\_\_ of all final goods/services p\_\_\_\_\_\_\_\_\_\_\_\_\_ in a c\_\_\_\_\_\_\_\_\_\_\_ in a y\_\_\_\_\_\_
* Real GDP:
  + Even if a country produces the s\_\_\_\_\_\_ a\_\_\_\_\_\_\_\_\_\_\_\_\_ of goods/services from one year to the n\_\_\_\_\_\_, the GDP could go up simply because p\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_\_\_\_\_\_
  + That would make it s\_\_\_\_\_\_ that the economy was g\_\_\_\_\_\_\_\_\_\_\_, even though it really \_\_\_\_\_ \_\_\_\_\_\_
  + To avoid being misled, economists use r\_\_\_\_\_ \_\_\_\_\_\_ instead
  + Real GDP shows an economy’s p\_\_\_\_\_\_\_\_\_\_\_\_\_ after the d\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of p\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_\_\_\_ have been r\_\_\_\_\_\_\_\_\_\_\_\_ [Real GDP = GDP / (1 + Inflation rate in decimal form)]
  + Real GDP e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the f\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that o\_\_\_\_\_\_\_\_ has gone u\_\_ when only p\_\_\_\_\_\_\_ have gone u\_\_ (i\_\_\_\_\_\_\_\_\_\_\_\_\_\_)
* Business cycle:
  + The economy tends to g\_\_\_\_\_ o\_\_\_\_\_ t\_\_\_\_\_\_, but not at a c\_\_\_\_\_\_\_\_\_\_ r\_\_\_\_\_
  + Instead, it goes through a\_\_\_\_\_\_\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_\_\_\_\_ (or periods) of g\_\_\_\_\_\_\_ & d\_\_\_\_\_\_\_\_\_\_
  + These alternating intervals of growth & decline are referred to as the b\_\_\_\_\_\_\_\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_:
    - E\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ leading to an economic p\_\_\_\_\_:
      * New b\_\_\_\_\_\_\_\_\_\_\_\_\_\_ o\_\_\_\_\_
      * Factories are p\_\_\_\_\_\_\_\_\_\_\_\_\_\_ at f\_\_\_\_\_ c\_\_\_\_\_\_\_\_\_\_
      * Most people can find w\_\_\_\_ (f\_\_\_\_ e\_\_\_\_\_\_\_\_\_\_\_\_\_\_), so unemployment is (low / high)
      * Real GDP is (increasing / decreasing)
      * Workers’ incomes are (increasing / decreasing)
      * Consumer demand is (increasing / decreasing)
    - Eventually, the economy will begin a c\_\_\_\_\_\_\_\_\_\_\_\_\_, leading to a low point called a t\_\_\_\_\_\_:
      * Businesses may f\_\_\_\_\_ or scale back operations
      * Factories are not p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ at f\_\_\_\_ c\_\_\_\_\_\_\_\_\_\_\_\_
      * Workers are l\_\_\_\_\_ o\_\_\_\_ or their h\_\_\_\_\_\_ at work are cut, so unemployment (decreases / increases)
      * Real GDP is (increasing / decreasing)
      * Workers’ incomes are (increasing / decreasing)
      * Consumer demand is (increases / decreases), so businesses (increase / decrease) production levels

BUSINESSES FLUCTURATIONS (p. 639-642)

* The economy goes through a\_\_\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_\_\_\_ of g\_\_\_\_\_\_\_ & d\_\_\_\_\_\_\_\_\_
* In reality, b\_\_\_\_\_\_\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_ are not as r\_\_\_\_\_\_\_\_\_\_\_\_ as the model shows
* An entire business cycle is measured from p\_\_\_\_\_\_ to p\_\_\_\_\_\_
* Expansions:
  + Economic expansions take place when r\_\_\_\_\_ \_\_\_\_\_\_\_ (increases / decreases)
  + At some point real GDP reaches is peak, or h\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_ in an expansion, then it starts to d\_\_\_\_\_\_\_\_\_\_
  + Expansions are usually l\_\_\_\_\_\_\_\_ than r\_\_\_\_\_\_\_\_\_\_\_\_\_
* Recession:
  + Recessions take place when real GDP goes d\_\_\_\_\_\_ for s\_\_\_\_ consecutive (back-to-back) m\_\_\_\_\_\_\_, although most recessions last l\_\_\_\_\_\_\_\_ than that (most last for about \_\_\_\_\_ year)
  + During recessions many people lose their j\_\_\_\_\_
  + If a recession becomes s\_\_\_\_\_\_\_\_\_\_, it may turn into a d\_\_\_\_\_\_\_\_\_\_\_\_\_\_ - a state of the economy with large numbers of people out of w\_\_\_\_\_\_, acute s\_\_\_\_\_\_\_\_\_\_ of products (because businesses d\_\_\_\_\_\_\_\_\_\_\_\_\_ production levels), prices d\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, and excess capacity in m\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_
* Unemployment: (P. 640)
  + One way to measure the economy is to look at e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + Economist start by looking at the c\_\_\_\_\_\_\_\_\_\_\_ l\_\_\_\_\_\_\_ f\_\_\_\_\_\_\_, which includes all c\_\_\_\_\_\_\_\_\_\_\_ (non-m\_\_\_\_\_\_\_\_\_\_\_\_\_) \_\_\_ years or o\_\_\_\_\_\_\_\_ who are either w\_\_\_\_\_\_\_\_\_\_ or are l\_\_\_\_\_\_\_\_\_\_\_ for w\_\_\_\_\_
  + About h\_\_\_\_\_ of all people belong to the civilian labor force in the USA
  + U\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ r\_\_\_\_\_\_\_ is the p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of people in the civilian labor force who are n\_\_\_\_ w\_\_\_\_\_\_\_\_\_\_\_ but are l\_\_\_\_\_\_\_\_\_\_ for j\_\_\_\_
  + Usually, a \_\_\_% drop in the unemployment rate results in a \_\_\_% rise in t\_\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_\_\_\_\_
  + When people are unemployed, they lose i\_\_\_\_\_\_\_\_\_\_\_\_\_ & cut back on l\_\_\_\_\_\_\_\_\_\_\_\_\_ (d\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ spending) & even b\_\_\_\_\_\_ n\_\_\_\_\_\_\_, & some families go into deeper d\_\_\_\_\_ by buying goods on c\_\_\_\_\_\_\_\_ (which they cannot p\_\_\_\_\_ b\_\_\_\_\_\_\_)
  + Unemployment also creates s\_\_\_\_\_\_\_\_ for many people
  + High unemployment becomes a p\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that can r\_\_\_\_\_\_\_\_\_ some g\_\_\_\_\_\_\_\_\_\_\_\_\_\_ action
* Fiscal policy: c\_\_\_\_\_\_\_\_\_\_ in g\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_ or t\_\_\_\_ p\_\_\_\_\_\_\_\_\_\_\_\_ (P. 641)
  + The government might c\_\_\_\_ t\_\_\_\_\_\_\_\_
    - This puts m\_\_\_\_\_\_ m\_\_\_\_\_\_\_\_\_\_ in people’s p\_\_\_\_\_\_\_\_\_ in the hopes that they will b\_\_\_\_ m\_\_\_\_\_\_\_ goods/services.
    - Increased consumer d\_\_\_\_\_\_\_\_\_\_ may c\_\_\_\_\_\_\_\_\_\_ businesses to h\_\_\_\_\_ m\_\_\_\_\_\_ w\_\_\_\_\_\_\_\_\_, r\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ u\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + Government may also i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_\_
    - By b\_\_\_\_\_\_\_\_\_\_ more goods/services itself, the government tries to c\_\_\_\_\_\_\_\_\_\_\_ b\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to h\_\_\_\_\_ m\_\_\_\_\_\_ w\_\_\_\_\_\_\_\_\_\_ to boost p\_\_\_\_\_\_\_\_\_\_\_\_\_\_ levels
  + Fiscally policy is an important tool because of its ability to affect the t\_\_\_\_\_\_ amount of o\_\_\_\_\_\_\_\_ produced, or the g\_\_\_\_\_\_ d\_\_\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_\_\_\_\_\_
    - Sometimes it is difficult to i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, or carry out, effective fiscal policies because political leaders may have d\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_
    - Some leaders prefer to c\_\_\_\_ t\_\_\_\_\_\_\_, some prefer to i\_\_\_\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_\_, & some say b\_\_\_\_\_ are necessary
* Price stability: (P. 641-642)
  + Another important economic indicator is i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, or a s\_\_\_\_\_\_\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_\_\_\_\_\_ in the general l\_\_\_\_\_\_ of p\_\_\_\_\_\_\_\_
  + A large level of inflation h\_\_\_\_\_\_\_ the economy because it r\_\_\_\_\_\_\_\_\_\_ the p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_\_ of m\_\_\_\_\_\_\_\_ and may a\_\_\_\_\_\_\_ d\_\_\_\_\_\_\_\_\_\_\_\_\_ people make about p\_\_\_\_\_\_\_\_\_\_\_\_\_\_ & c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + One way to keep track of inflation is the c\_\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_ (\_\_\_\_\_\_\_), a popular measure of the p\_\_\_\_\_\_ l\_\_\_\_\_\_\_ calculated by sampling prices of about 400 p\_\_\_\_\_\_\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_\_\_\_\_\_ u\_\_\_\_\_\_ by c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + Inflation r\_\_\_\_\_\_\_\_\_\_ the v\_\_\_\_\_\_\_ of money, which has several effects:
    - It reduces p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_, which is especially hard on people with low of f\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_\_\_\_\_
    - It reduces the value of money in s\_\_\_\_\_\_\_\_\_\_\_ a\_\_\_\_\_\_\_\_\_\_\_\_\_
    - Because prices serve as s\_\_\_\_\_\_\_\_\_ to producers/suppliers (b\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_) & consumers (b\_\_\_\_\_\_\_\_\_), it effects quantities s\_\_\_\_\_\_\_\_\_\_\_\_\_ & quantities d\_\_\_\_\_\_\_\_\_\_\_\_\_
    - Sometimes leads high-income people to s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, or buy things such as l\_\_\_\_\_\_\_ or works of a\_\_\_\_\_\_ that they think will go up in v\_\_\_\_\_\_\_
    - When speculation replaces business i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in c\_\_\_\_\_\_\_\_\_ goods, the economy can s\_\_\_\_\_\_\_
  + The government uses m\_\_\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_\_\_\_ to control the s\_\_\_\_\_\_\_\_\_ of m\_\_\_\_\_\_\_\_ with the F\_\_\_\_\_\_\_\_\_\_\_ R\_\_\_\_\_\_\_\_\_\_\_\_ S\_\_\_\_\_\_\_\_\_\_\_\_\_
* Stocks & Stock Markets (P. 643-644)
  + Stock markets are usually good i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the h\_\_\_\_\_\_\_ of the economy
  + Stock prices change because of changes in s\_\_\_\_\_\_\_ or p\_\_\_\_\_\_\_\_\_, rumors of t\_\_\_\_\_\_\_\_\_\_\_\_\_\_, or n\_\_\_\_\_\_ of technological breakthroughs
  + Stock market indexes are s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ m\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that t\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_\_ over time & give us an idea about the w\_\_\_\_\_-b\_\_\_\_\_\_\_\_ of the stock market, including the
    - D\_\_\_\_ J\_\_\_\_\_\_\_ I\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ A\_\_\_\_\_\_\_\_\_\_\_ (\_\_\_\_\_\_\_\_), and
    - S\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ & P\_\_\_\_\_\_\_\_ (\_\_\_\_\_\_\_)
  + Stock exchanges are specific l\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ where stocks are b\_\_\_\_\_\_\_\_\_\_\_ & s\_\_\_\_\_\_, but investors don’t actually need to travel to a stock exchange (they can call a s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ who buys/sells the stocks for you)
  + The stock market reveals i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ about the f\_\_\_\_\_\_\_\_\_ of the economy
    - If investors expect economic g\_\_\_\_\_\_\_\_ to be r\_\_\_\_\_\_\_, p\_\_\_\_\_\_\_\_ high, & u\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ low, stock prices tend to r\_\_\_\_\_ (a “b\_\_\_\_\_\_ market”)
    - If investors expect economic decline, stock prices may f\_\_\_\_\_ (a “b\_\_\_\_\_\_ market”)

**UNIT #9 – CIVICS & ECONOMICS – NOTES / READING GUIDE**

**§9.6 – MONETARY POLICY**

MONEY (p. 657)

* People are w\_\_\_\_\_\_\_\_\_\_ to a\_\_\_\_\_\_\_\_\_\_ money in e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for goods/services.
* Money has three f\_\_\_\_\_\_\_\_\_\_\_\_\_:
  + M\_\_\_\_\_\_\_\_\_\_\_ of e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: we can t\_\_\_\_\_\_\_ money for goods/services
    - Without it, we would have to b\_\_\_\_\_\_\_\_\_\_, or exchange goods/services for other goods/services
    - That would be less c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ because we would have to find people who are w\_\_\_\_\_\_\_\_\_ & interested in b\_\_\_\_\_\_\_\_\_\_\_ for the goods/services we have & who also have goods/services that we want
  + S\_\_\_\_\_\_\_\_ of v\_\_\_\_\_\_\_\_: we can hold our w\_\_\_\_\_\_\_\_\_ in the form of m\_\_\_\_\_\_\_\_\_ until we are r\_\_\_\_\_\_\_\_ to u\_\_\_\_ it (spend it n\_\_\_\_\_ or spend it l\_\_\_\_\_\_\_)
  + M\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of v\_\_\_\_\_\_\_: money is like a m\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_ that can be used to a\_\_\_\_\_\_\_\_\_ v\_\_\_\_\_\_\_\_ to a good/service
* Types of money:
  + C\_\_\_\_\_\_\_: m\_\_\_\_\_\_\_\_\_\_\_\_\_ forms of money such as pennies & nickels
  + C\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: includes both c\_\_\_\_\_\_\_\_\_ & p\_\_\_\_\_\_\_\_\_\_ money
* What gives money value:
  + We v\_\_\_\_\_\_\_ & a\_\_\_\_\_\_\_\_\_\_\_ money because we are a\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_ that someone else will a\_\_\_\_\_\_\_\_\_\_ its value as well
  + Without this c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, we would not accept it from someone else in the first place
  + Money by itself generally has n\_\_\_ o\_\_\_\_\_\_\_\_\_ v\_\_\_\_\_\_\_\_\_\_
    - Paper currency & coins only cost a few c\_\_\_\_\_\_\_ to make or a s\_\_\_\_\_\_\_\_ a\_\_\_\_\_\_\_\_\_\_\_\_\_ of p\_\_\_\_\_\_\_\_\_\_\_\_\_ m\_\_\_\_\_\_\_
    - Check & savings accounts also work the same way: in actuality, they are just n\_\_\_\_\_\_\_\_\_\_\_\_ inside a c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that can be changed u\_\_ or d\_\_\_\_\_\_\_

THE FINANCIAL SYSTEM (p. 658-659)

* F\_\_\_\_\_\_\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ give people s\_\_\_\_\_\_ places to d\_\_\_\_\_\_\_\_\_\_\_\_ their money or take out l\_\_\_\_\_\_
  + Banks & other financial institutions do not simply put the money in a s\_\_\_\_\_\_ & l\_\_\_\_\_\_\_ it there; they put it to work by l\_\_\_\_\_\_\_\_\_\_ it to p\_\_\_\_\_\_\_\_\_\_\_ & b\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that need funds (that’s why they pay us i\_\_\_\_\_\_\_\_\_\_\_\_\_)
  + Financial institutions make profits & cover their costs from i\_\_\_\_\_\_\_\_\_\_\_\_\_\_ on money they l\_\_\_\_\_\_\_ & f\_\_\_\_\_\_
* Types of financial institutions:
  + C\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ b\_\_\_\_\_\_\_\_: financial institutions that offer full b\_\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_\_ to individuals/businesses; they are where most people have c\_\_\_\_\_\_\_\_\_\_\_\_\_ & s\_\_\_\_\_\_\_\_\_\_\_\_ a\_\_\_\_\_\_\_\_\_\_\_\_\_ (EX: Bank of America, Wachovia, Wells Fargo, BB&T)
  + S\_\_\_\_\_\_\_\_\_\_ & l\_\_\_\_\_\_ (S&L): financial institutions that traditionally loan to people who are b\_\_\_\_\_\_\_\_\_ h\_\_\_\_\_\_\_\_; most S&Ls now operate & provide the same services as c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ banks
  + C\_\_\_\_\_\_\_\_\_ u\_\_\_\_\_\_\_\_\_: n\_\_\_\_-for-p\_\_\_\_\_\_\_\_\_\_\_ institutions that are only o\_\_\_\_\_\_ to m\_\_\_\_\_\_\_\_\_\_ of the g\_\_\_\_\_\_\_ that s\_\_\_\_\_\_\_\_\_\_\_\_\_ them – usually b\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, l\_\_\_\_\_\_\_\_\_ u\_\_\_\_\_\_\_\_\_\_, & g\_\_\_\_\_\_\_\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (EX: NC State Employees Credit Union, Navy Federal Credit Union)
* Safeguarding our financial system:
  + F\_\_\_\_\_\_\_\_\_\_\_\_ D\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ I\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ C\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (FDIC) i\_\_\_\_\_\_\_\_\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ d\_\_\_\_\_\_\_\_\_\_\_\_
  + Formed after many banks c\_\_\_\_\_\_\_\_\_\_\_\_\_\_ during the G\_\_\_\_\_\_\_ D\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ after many people lost their e\_\_\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_\_
  + The FDIC insures these deposits to give c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in our financial system

THE FEDERAL RESERVE SYSTEM (p. 661-662)

* The c\_\_\_\_\_\_\_\_\_\_ b\_\_\_\_\_\_ of the United States is the F\_\_\_\_\_\_\_\_\_\_\_\_ R\_\_\_\_\_\_\_\_\_\_\_\_\_ S\_\_\_\_\_\_\_\_\_\_\_\_ (the Fed)
* When b\_\_\_\_\_\_\_\_\_\_\_\_\_\_ & i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ need money, they borrow from b\_\_\_\_\_\_
* When banks need money, they borrow from the F\_\_\_\_\_; it serves as the b\_\_\_\_\_\_\_\_\_\_\_ b\_\_\_\_\_\_\_
* Member b\_\_\_\_\_\_\_ buy s\_\_\_\_\_\_\_ in the Fed & earn d\_\_\_\_\_\_\_\_\_\_\_\_\_ from the investment
* The Federal Reserve is led by a c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_/c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (the current leader is J\_\_\_\_\_\_\_ Y\_\_\_\_\_\_\_), & has a b\_\_\_\_\_\_\_ of g\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that c\_\_\_\_\_\_\_\_\_ & c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the Fed’s actions
* The Fed is divided into 12 d\_\_\_\_\_\_\_\_\_\_ banks across the country (we are part of the R\_\_\_\_\_\_\_\_\_\_\_\_, VA district)

FUNCTIONS OF THE FEDERAL RESERVE (p. 663-664)

* The Fed c\_\_\_\_\_\_\_\_\_ the m\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_, serves as the g\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ b\_\_\_\_\_\_\_, & w\_\_\_\_\_\_\_\_\_ o\_\_\_\_\_\_\_ the b\_\_\_\_\_\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* The Fed as regulator:
  + If two national banks wish to m\_\_\_\_\_\_\_, the Fed will d\_\_\_\_\_\_\_\_\_\_ whether the action threatens c\_\_\_\_\_\_\_\_\_\_\_\_\_; if so, the Fed could b\_\_\_\_\_\_\_\_\_ the merger
  + It also regulates c\_\_\_\_\_\_\_\_\_\_\_\_\_\_ between A\_\_\_\_\_\_\_\_\_\_\_\_\_\_ & f\_\_\_\_\_\_\_\_\_\_\_\_\_ banking, and o\_\_\_\_\_\_\_\_\_\_ the i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ b\_\_\_\_\_\_\_\_\_\_\_\_\_ of banks that operate in this country
  + The Fed also e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ many laws that deal with c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ b\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, such as laws that l\_\_\_\_\_\_\_\_\_\_ must s\_\_\_\_\_\_\_ o\_\_\_\_\_ the d\_\_\_\_\_\_\_\_\_\_ of a l\_\_\_\_\_\_ before the consumer b\_\_\_\_\_\_\_\_\_\_ money (such as interest rates & fees associated with the loan)
* Acting as the government’s bank:
  + First, it h\_\_\_\_\_\_\_ the g\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ m\_\_\_\_\_\_\_\_
  + Second, it s\_\_\_\_\_\_\_ U.S. government b\_\_\_\_\_\_\_\_ & T\_\_\_\_\_\_\_\_\_\_\_\_\_ b\_\_\_\_\_\_, which is how the government b\_\_\_\_\_\_\_\_\_\_ money
  + Third, the Fed m\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the nation’s c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, including p\_\_\_\_\_\_\_\_ money & c\_\_\_\_\_\_\_
    - Currency is actually p\_\_\_\_\_\_\_\_\_\_\_\_\_ by g\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ a\_\_\_\_\_\_\_\_\_\_\_\_
    - But, the Fed c\_\_\_\_\_\_\_\_\_\_\_ its c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - When currency becomes d\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, banks send it to the Fed for r\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Conducts monetary policy
  + Monetary policy is the c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the s\_\_\_\_\_\_\_\_\_ of m\_\_\_\_\_\_\_\_ & the c\_\_\_\_\_\_\_ of b\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ m\_\_\_\_\_\_\_\_\_ (c\_\_\_\_\_\_\_\_\_)
  + The Fed makes decisions about monetary policy based on the n\_\_\_\_\_\_\_\_ of the e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + The Fed can i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or d\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the supply of money

MONETARY POLICY (p. 664-665)

* Changing the supply of money:
  + The point where s\_\_\_\_\_\_\_\_\_\_ & d\_\_\_\_\_\_\_\_\_\_\_ of money m\_\_\_\_\_\_\_ sets the i\_\_\_\_\_\_\_\_\_\_\_\_\_ r\_\_\_\_\_\_\_, or the r\_\_\_\_\_\_\_\_ that people/businesses must p\_\_\_\_\_ to b\_\_\_\_\_\_\_\_\_\_ money
  + The Fed can c\_\_\_\_\_\_\_\_\_\_\_\_ the interest rate by c\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the money s\_\_\_\_\_\_\_\_\_\_\_
    - If the Fed wants a l\_\_\_\_\_\_\_\_ interest rate, it must e\_\_\_\_\_\_\_\_\_\_\_\_ the money supply by moving the s\_\_\_\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_\_ to the r\_\_\_\_\_\_\_
    - If the Fed wants to r\_\_\_\_\_\_\_ the interest rate, it has to c\_\_\_\_\_\_\_\_\_\_\_\_, or reduce, the money supply by shifting the s\_\_\_\_\_\_\_\_\_ curve to the l\_\_\_\_\_\_
* Monetary policy tools: The Fed has several tools to help them m\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (adjust) the money supply:
  + The Fed can r\_\_\_\_\_\_\_ or l\_\_\_\_\_\_\_\_\_ the d\_\_\_\_\_\_\_\_\_\_\_\_\_ r\_\_\_\_\_\_\_, or the rate that the Fed charges member b\_\_\_\_\_\_\_ for l\_\_\_\_\_\_\_
    - If the Fed wants to s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (or grow) the economy, it l\_\_\_\_\_\_\_\_\_ the discount rate to e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ member banks to b\_\_\_\_\_\_\_\_\_\_ m\_\_\_\_\_\_\_\_\_ that they can make l\_\_\_\_\_\_\_\_ to businesses/individuals
    - If the Fed wants to s\_\_\_\_\_\_ d\_\_\_\_\_\_\_ the economy’s rate of growth, it r\_\_\_\_\_\_ the discount rate to d\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ member banks from b\_\_\_\_\_\_\_\_\_\_\_\_
      * This c\_\_\_\_\_\_\_\_\_\_\_\_\_ the money supply & r\_\_\_\_\_\_\_\_ the interest rates
      * High discount rates mean banks will b\_\_\_\_\_\_\_\_\_ less money from the Fed & make fewer l\_\_\_\_\_\_ to their customers
  + The Fed can r\_\_\_\_\_\_\_\_ or l\_\_\_\_\_\_\_\_ the r\_\_\_\_\_\_\_\_\_\_\_ r\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for member banks
    - The reserve require a certain p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of bank’s money to be kept in F\_\_\_\_\_\_\_\_\_\_\_ R\_\_\_\_\_\_\_\_\_\_\_\_\_ B\_\_\_\_\_\_\_\_\_ as a r\_\_\_\_\_\_\_\_\_\_\_ (back-up) against their d\_\_\_\_\_\_\_\_\_\_\_
    - If Fed r\_\_\_\_\_\_\_\_ the reserve requirement, b\_\_\_\_\_\_\_ must leave m\_\_\_\_\_\_ money with the Fed, leaving them with l\_\_\_\_\_\_ money to l\_\_\_\_\_\_ to customers
    - If Fed l\_\_\_\_\_\_\_\_\_ reserve requirements, member banks have m\_\_\_\_\_\_ money to l\_\_\_\_\_\_ to customers
  + The Fed can change the money supply through o\_\_\_\_\_\_ m\_\_\_\_\_\_\_\_\_\_ o\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, where the Fed can p\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or s\_\_\_\_\_\_ U.S. government b\_\_\_\_\_\_\_ & T\_\_\_\_\_\_\_\_\_\_\_\_ b\_\_\_\_\_\_\_
    - B\_\_\_\_\_\_\_\_\_ bonds from investors puts m\_\_\_\_\_\_ c\_\_\_\_\_\_\_ in i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ h\_\_\_\_\_\_\_, i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the money supply
      * Shifts the money supply curve to the r\_\_\_\_\_\_\_, which l\_\_\_\_\_\_\_\_ interest rates
      * Consumers/businesses then b\_\_\_\_\_\_\_\_\_ more money, which increases c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ d\_\_\_\_\_\_\_\_\_\_ & business p\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (supply)
      * As a result, the economy g\_\_\_\_\_\_\_
    - If the Fed decides that interest rates are too l\_\_\_\_\_, it can s\_\_\_\_\_\_\_ bonds
      * When investors b\_\_\_\_ those b\_\_\_\_\_\_\_, money c\_\_\_\_\_\_\_\_ o\_\_\_\_\_\_ of the economy
      * Decreases money supply, shifting supply curve l\_\_\_\_\_\_\_, which r\_\_\_\_\_\_\_\_ interest rates)

**UNIT #9 – CIVICS & ECONOMICS – NOTES / READING GUIDE**

**§9.7 – FISCAL POLICY**

* Fiscal policy is a t\_\_\_\_\_\_ that g\_\_\_\_\_\_\_\_\_\_\_\_\_\_ uses to c\_\_\_\_\_\_\_\_\_\_\_ the e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + RECALL: Monetary policy is a tool that the F\_\_\_\_\_\_\_\_\_\_\_\_\_\_ R\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (the F\_\_\_\_) uses to control the e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that involves decisions about the s\_\_\_\_\_\_\_\_ of m\_\_\_\_\_\_\_\_
  + For fiscal policy, the C\_\_\_\_\_\_\_\_\_\_\_\_ (legislative branch) & the P\_\_\_\_\_\_\_\_\_\_\_\_\_ (executive branch) are primarily responsible for fiscal policy
  + Fiscal policy involves decisions about t\_\_\_\_\_\_\_ & s\_\_\_\_\_\_\_\_\_\_\_\_
  + The government uses fiscal policy to m\_\_\_\_\_\_\_\_\_\_\_ the p\_\_\_\_\_\_\_ of e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ g\_\_\_\_\_\_\_\_
    - During a r\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (or c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_), the government can s\_\_\_\_\_\_\_\_\_\_\_\_\_ economic g\_\_\_\_\_\_\_\_\_ by (increasing / decreasing) spending & (increasing / decreasing) taxes
    - During times of economic growth (e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_), less s\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is needed, so governments may decide to (increase / decrease) spending & (increase / decrease) taxes
* Fiscal policy in practice:
  + Some lawmakers o\_\_\_\_\_\_\_\_\_\_\_\_\_ increased spending or increased taxes on i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ grounds, or sets of beliefs held
  + Even if lawmakers agree that stimulus spending or tax cuts are needed, they often argue on h\_\_\_\_ and w\_\_\_\_\_\_\_ to target them
  + Sometimes government actions do not have the d\_\_\_\_\_\_\_\_\_\_\_\_ e\_\_\_\_\_\_\_\_\_\_\_\_\_; it may take such a long time for political leaders to a\_\_\_\_\_\_\_\_\_ on a p\_\_\_\_\_\_ to stimulate the economy, that the e\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ might have changed
* Automatic stabilizers: p\_\_\_\_\_\_\_\_\_\_\_\_\_ that begin to s\_\_\_\_\_\_\_\_\_\_\_ the e\_\_\_\_\_\_\_\_\_\_\_\_ as soon as it is n\_\_\_\_\_\_
  + Ex.: U\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ b\_\_\_\_\_\_\_\_\_\_\_: giving people who lose their jobs – often during r\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – small payments to help them until they can find a new job or their employer is able to hire them back
  + Ex.: P\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ income tax: because income taxes are based on ability to p\_\_\_\_\_\_
    - People with more t\_\_\_\_\_\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_\_\_\_\_\_ pay higher tax r\_\_\_\_\_\_; people with lower taxable incomes pay lower tax rates
    - When the economy is in contraction or recession, many individuals’ incomes (increase / decrease) which will put them in a (higher / lower) t\_\_\_\_\_ b\_\_\_\_\_\_\_\_\_\_
    - The lower tax bill is one way of helping individuals who suffer the most during r\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ by effectively putting e\_\_\_\_\_\_ m\_\_\_\_\_\_\_\_ in their pockets
  + Generally, automatic stabilizers can go into e\_\_\_\_\_\_\_\_\_\_ more quickly than d\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ f\_\_\_\_\_\_\_\_ policies, which governments must c\_\_\_\_\_\_\_\_ to implement
  + **BOTH T\_\_\_\_ C\_\_\_\_\_\_ & S\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ON GOVT PROGRAMS PUTS MONEY INTO PEOPLE’S POCKETS WHICH THEY CAN, IN TURN, USE TO MAKE P\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, THUS STABILIZING C\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ D\_\_\_\_\_\_\_\_\_\_\_\_**
* Federal Budget:
  + Prepared a\_\_\_\_\_\_\_\_\_\_\_\_\_ by the P\_\_\_\_\_\_\_\_\_\_\_\_ (often details are p\_\_\_\_\_\_\_\_\_\_\_\_\_ in the S\_\_\_\_\_ of the U\_\_\_\_\_\_\_ address given to C\_\_\_\_\_\_\_\_\_\_)
  + Then a\_\_\_\_\_\_\_\_\_\_\_\_ by C\_\_\_\_\_\_\_\_\_\_\_\_
  + Budget year: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + Before money can actually be s\_\_\_\_\_\_\_\_ by the federal government, C\_\_\_\_\_\_\_\_\_\_ must pass an a\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ bill, or law that a\_\_\_\_\_\_\_\_\_\_\_\_ s\_\_\_\_\_\_\_\_\_\_\_\_\_ for a particular a\_\_\_\_\_\_\_\_\_\_\_\_
    - Begins in the H\_\_\_\_\_\_\_ of R\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Types of spending:
  + M\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ spending: spending for federal programs that does not need a\_\_\_\_\_\_\_\_\_ (yearly) a\_\_\_\_\_\_\_\_\_\_\_\_\_
    - Ex.: S\_\_\_\_\_\_\_\_\_\_ S\_\_\_\_\_\_\_\_\_\_\_\_ benefits & i\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_\_\_\_\_\_\_\_ on government debt m\_\_\_\_\_\_ be p\_\_\_\_\_\_ every year
  + D\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ spending: spending for federal programs that needs a\_\_\_\_\_\_\_\_\_ a\_\_\_\_\_\_\_\_\_\_\_\_
    - Ex.: Money for the C\_\_\_\_\_\_\_ G\_\_\_\_\_\_\_\_\_, h\_\_\_\_\_\_\_\_\_\_\_\_ c\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, or s\_\_\_\_\_\_\_\_\_\_\_ programs
    - Makes up about \_\_\_\_\_-\_\_\_\_\_\_\_ of all federal government spending
* Types of taxation:
  + P\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ taxation: takes a larger percentage from those with higher incomes (based on a\_\_\_\_\_\_\_\_\_ to p\_\_\_\_\_ principle)
    - Ex.: Person who makes $1,000,000 pays \_\_\_% rate vs. person who makes $30,000 & pays \_\_\_%
  + R\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ taxation: takes a larger percentage from those with lower incomes (based on b\_\_\_\_\_\_\_\_\_\_ r\_\_\_\_\_\_\_\_\_\_\_\_ principle)
    - Ex.: Person who makes $1,000,000 pays \_\_\_% rate vs. person who makes $30,000 & pays \_\_\_%
  + P\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ taxation: takes the \_\_\_\_\_\_\_ percentage from \_\_\_\_\_ income levels (also known as “f\_\_\_\_ tax”)
    - Ex.: Person who makes $1,000,000 pays \_\_\_% rate vs. person who makes $30,000 & pays \_\_\_%
* Government budget concepts:
  + R\_\_\_\_\_\_\_\_\_\_\_\_\_: funds collected by government through t\_\_\_\_\_\_\_\_, f\_\_\_\_\_\_\_, & f\_\_\_\_\_\_\_\_
  + E\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: funds spent by government on various programs & social services
  + B\_\_\_\_\_\_\_\_\_\_\_\_\_ b\_\_\_\_\_\_\_\_\_: when revenues equal expenditures
  + Budget s\_\_\_\_\_\_\_\_\_\_\_: when revenues are \_\_\_\_\_\_\_\_\_\_\_\_\_ than expenditures
  + Budget d\_\_\_\_\_\_\_\_\_\_\_: when expenditures are \_\_\_\_\_\_\_\_\_\_\_\_ than revenues
  + N\_\_\_\_\_\_\_\_\_\_\_\_\_ d\_\_\_\_\_\_: the sum of f\_\_\_\_\_\_ the federal government has b\_\_\_\_\_\_\_\_\_\_\_\_\_ over the years & has not yet p\_\_\_\_\_\_ b\_\_\_\_\_\_\_
* Sources of Federal Government Revenue:
  + I\_\_\_\_\_\_\_\_\_\_\_\_\_ tax: taxes on individual & corporate earnings (largest source)
    - P\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ tax that is g\_\_\_\_\_\_\_\_\_\_\_\_\_\_, or divided, into b\_\_\_\_\_\_\_
    - Higher income levels pay a higher r\_\_\_\_\_\_ for each i\_\_\_\_\_\_\_\_\_\_ l\_\_\_\_\_\_\_ (the highest level being taxed at the m\_\_\_\_\_\_\_\_\_\_\_\_\_\_ r\_\_\_\_\_\_\_)
    - Income taxes for corporations are based on their p\_\_\_\_\_\_\_\_
  + P\_\_\_\_\_\_\_\_\_\_\_\_\_ tax: taxes deducted from a worker’s paycheck that fund S\_\_\_\_\_\_\_\_\_ S\_\_\_\_\_\_\_\_\_\_\_ (r\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ benefits) & M\_\_\_\_\_\_\_\_\_\_\_ (h\_\_\_\_\_\_\_ i\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for seniors) (second-largest source of revenue)
  + E\_\_\_\_\_\_\_\_\_\_\_ tax: tax on specific goods
    - Also known as the “s\_\_\_\_\_ tax” because it is often placed on items for which excessive consumption is discouraged
    - Ex.: Tobacco, alcohol, gasoline
  + E\_\_\_\_\_\_\_\_\_\_\_ tax: tax on w\_\_\_\_\_\_\_\_\_ passed on to h\_\_\_\_\_ after a person dies
  + G\_\_\_\_\_ tax: taxes on gifts
  + F\_\_\_\_\_\_: such as those charged to visitors at n\_\_\_\_\_\_\_\_\_\_\_\_\_\_ p\_\_\_\_\_\_
  + F\_\_\_\_\_\_: paid by offenders of the law or for late payment of taxes
* State governments:
  + Sources of revenues:
    - I\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ revenue: money paid from federal government to state government
    - S\_\_\_\_\_\_ tax: taxes paid by retail stores to state government (passed on to the c\_\_\_\_\_\_\_\_\_\_\_\_\_\_)
    - I\_\_\_\_\_\_\_\_\_\_\_\_\_ tax: taxes on individual & corporate earnings
    - E\_\_\_\_\_\_\_\_\_\_\_ tax: taxes on items such as gasoline, alcohol, & tobacco
    - F\_\_\_\_\_\_ & f\_\_\_\_\_\_\_\_
  + Major Expenditures:
    - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* Local governments:
  + Sources of revenues:
    - I\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ revenue: money paid from state governments to local governments
    - P\_\_\_\_\_\_\_\_\_\_\_\_\_\_ taxes: paid on land, houses, cars, etc.
    - S\_\_\_\_\_\_ tax: taxes paid by retail stores to state government (passed on to the c\_\_\_\_\_\_\_\_\_\_\_\_\_\_)
    - F\_\_\_\_\_\_ & f\_\_\_\_\_\_\_
  + Major Expenditures:
    - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_