**KEY TERMS AND IDEAS**

1. What is the relationship between aggregate supply, aggregate demand, and gross domestic product?
2. How is nominal GDP different from real GDP?
3. What are the four main phases of the business cycle?
4. How is capital deepening related to economic growth?
5. What are the four main categories of unemployment?
6. How would inflation and deflation affect purchasing power?
7. How is the poverty rate linked to income distribution?
8. How are cash transfers different from in-kind benefits?

**CRITICAL THINKING**

1. Identify Central Issues Why is it important for economists to determine factors influencing real GDP?
2. Identify Cause and Effect Besides lower business investment, what can reduce aggregate demand?
3. What are the key features of each phase of the business cycle?
4. Which point in the business cycle offers the greatest opportunity for a business? Explain.
5. How do capital investments tend to affect productivity and economic growth?
6. How is expansion related to inflation?
7. How has inflation historically affected American society and world economies?
8. Are government programs to reduce poverty effective? Provide evidence to support your response.
9. What are the causes of income inequality? What steps, if any, do you think should be taken to reduce it? Explain.