

Section 2: Guided Reading and Review

Inflation



A. As You Read

As you read Section 2, answer the following questions.

1. What would you use to see how prices have changed over time? _____

2. What does the example of the Barrow's house increasing from \$12,000 to \$150,000 over 50 years show? _____

3. How is the Consumer Price Index (CPI) used? _____

4. How does the Bureau of Labor Statistics determine the CPI? _____

5. What data must you have to calculate the inflation rate for a specific year? _____

6. What happens when hyperinflation occurs over an extended period of time? _____

Describe three theories of the causes of inflation.

7. _____
8. _____
9. _____

How does inflation affect each of the following?

10. purchasing power _____
11. fixed income _____
12. savings _____

B. Reviewing Key Terms

Define the following terms.

13. inflation rate _____
14. deflation _____
15. Consumer Price Index _____
16. inflation _____
17. wage-price spiral _____
18. price index _____