

## Short Answer Questions

### Chapter 34.

1. Explain, using examples, what is meant by the term 'economic activity'.
2. Fluctuations in the level of economic activity is referred to as the business cycle. Does this mean that we can expect to see predictable patterns of growth, boom, slowdown and recession, followed by an upturn growth etc. over a period of time? Explain your answer using historical data from the country in which you are studying.
3. Describe the expected trends in inflation, unemployment and growth over a period of time in line with fluctuations in economic activity. Find data on these three economic variables relating to the country you are studying in – does the evidence match the expected theory? Explain.
4. Why do advocates of 'real business cycle' theory not see a recession as a 'bad' thing?
5. Why is it likely that unemployment rises as output falls and vice versa?
6. Analyse the reasons why the aggregate demand curve slopes downwards from left to right.
7. Discuss the factors which can cause the aggregate demand curve to shift.
8. Explain why the aggregate supply curve is vertical in the long run.
9. Outline the factors which can cause the aggregate supply curve to shift.
10. Explain why the short run aggregate supply curve is upward sloping in the short run and how a rise in aggregate demand might be expected to affect the economy in both the short and the long run.