pp. 122–125

SS CONTENT TOPICS: II.E.c.4, II.E.c.6, II.E.c.10, II.E.d.1, II.E.d.2, II.E.d.7, II.E.e.2
SS PRACTICES: SSP.6.a, SSP.6.b, SSP.10.a, SSP.10.c

1 Review the Skill

Some cause-and-effect relationships can be complex. These may involve multiple causes, multiple effects, or both. Learning to identify and analyze **multiple causes and effects** will increase your ability to understand and interpret complicated concepts in economics.

Most events have more than one cause or effect. For example, the drop in home prices in late 2008 had many causes and effects. The value of real estate dropped, people with adjustable-rate mortgages could no longer afford their homes, and foreclosures increased. All of this caused job losses in the real estate and construction fields, and then people working in those fields became in danger of losing their homes.

2 Refine the Skill

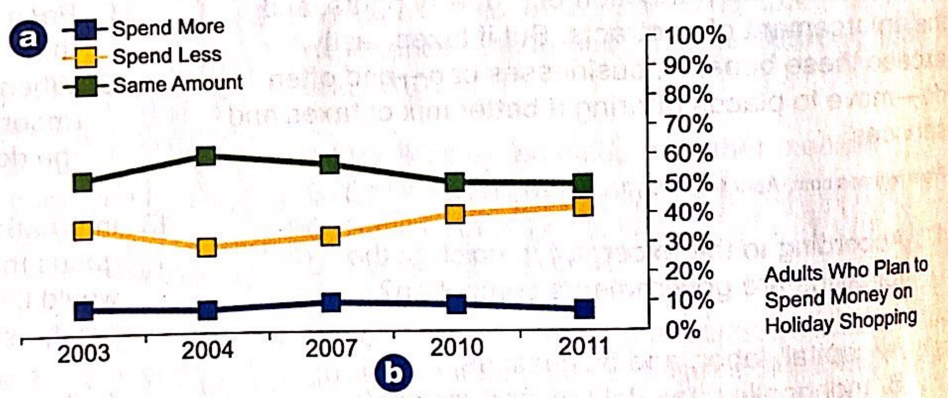
By refining the skill of identifying multiple causes and effects, you will improve your study and test-taking abilities, especially as they relate to the GED® Social Studies Test. Study the information below. Then answer the questions that follow.

Holiday shopping is often a good indicator of the health of the economy. In years when people are planning to spend more on their holiday shopping, one can assume that the economy is in a better place than in years when people are cutting back. The graph shows the results of a survey in which people were asked whether they were going to spend more, less, or the same amount on their holiday shopping as they did the previous year. Note: some years are missing in the graph.

a To successfully answer the questions, analyze the information and graph to find patterns in holiday spending.

b Examine the graph for indications of major changes in holiday spending. This alerts you to a shift in the economy.

HOLIDAY SPENDING PLANS



1. According to the graph, in which of the following years were adults most and least optimistic, respectively?

   A. 2004, 2003
   B. 2011, 2003
   C. 2007, 2011
   D. 2011, 2004

2. Based on the graph, in which year can you assume that the economy was weakest?

   A. 2005
   B. 2004
   C. 2008
   D. 2006

USING LOGIC

Use logic to determine whether an event has multiple causes, multiple effects, or both. Carefully consider each cause and effect. What caused each situation, and what happened as a result?

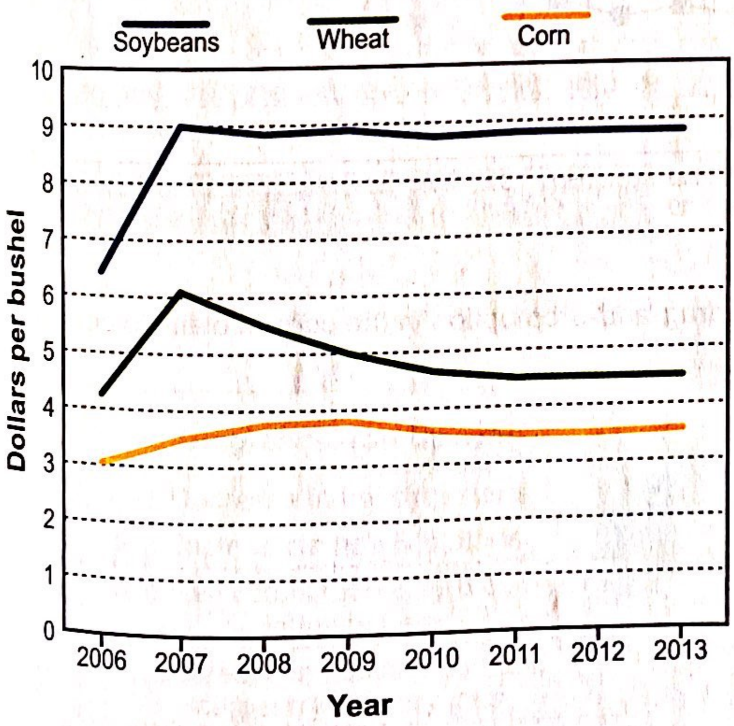
Spotlighted Item: **DRAG-AND-DROP**

DIRECTIONS: Read the information and study the graph. Read the question. Then complete the diagram by placing the drag-and-drop options in the appropriate boxes.

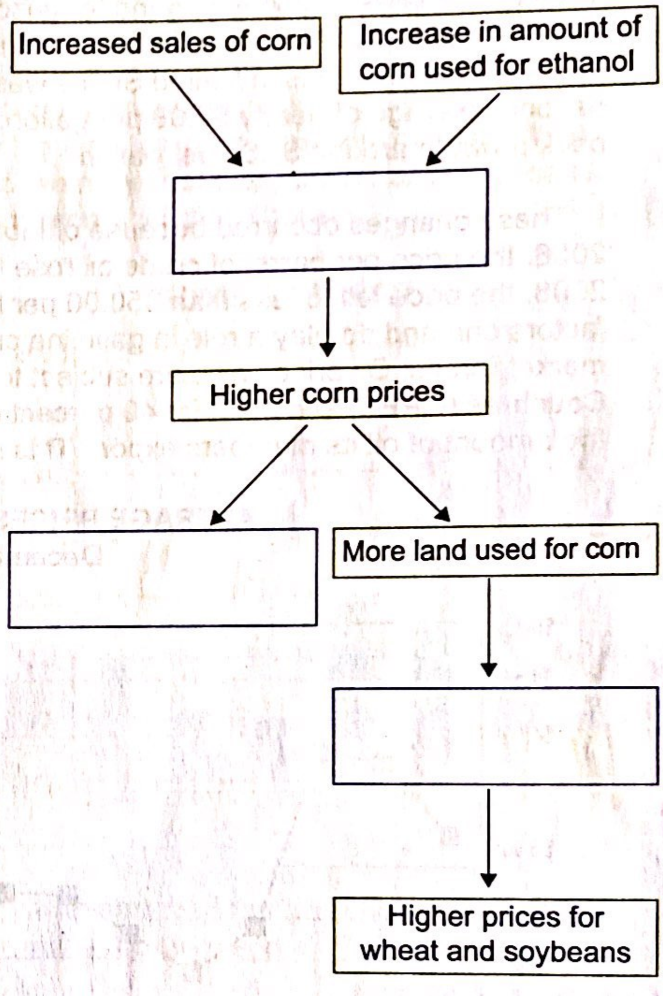
In the United States, prices are set by the economic concept of supply and demand. When a product's supply is higher than its demand, the result is a surplus. When demand is higher than supply, the result is a shortage. Surpluses and shortages help determine prices. For example, a surplus of corn may result in lower prices to help encourage sales. When a shortage occurs, sellers raise prices because people are willing to pay more for the good or product.

Corn prices rose in 2007. Increased sales of corn to overseas nations, combined with a 30-percent increase in the amount of corn used to produce the fuel called ethanol, resulted in a national shortage and a higher price per bushel. Higher corn prices also resulted in higher prices for foods that use corn as an ingredient. A third effect grew from farmers using more of their land to grow corn. This meant that fewer acres were devoted to crops such as wheat and soybeans. The dip in wheat and soybean production led prices for those crops to rise also.

CROP PRICES



3. Complete the diagram by placing the drag-and-drop options in the appropriate boxes.



Drag-and-Drop Options

Corn shortage
Corn surplus
Higher food prices for foods with corn
Lower food prices for foods with corn
Less land used for wheat and soybeans
More land used for wheat and soybeans

3 Master the Skill

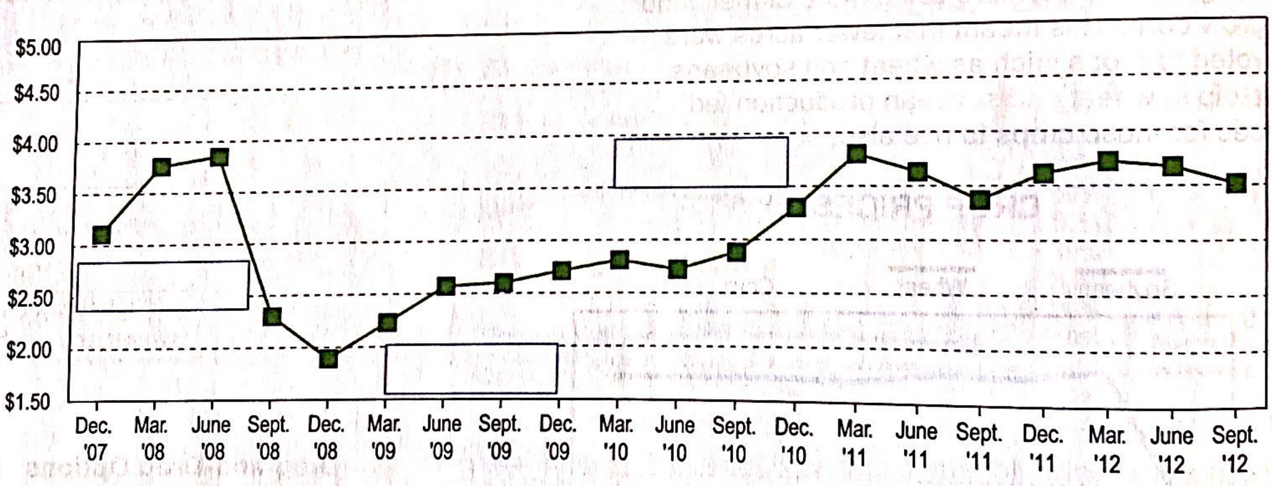
★ Spotlighted Item: DRAG-AND-DROP

DIRECTIONS: Study the passage and the graph. Read the question. Then use the drag-and-drop options to complete the diagram.

Supply and demand are major factors in the rise and fall of gasoline prices. Shortages and fears of shortages can cause these prices to fluctuate in a short period of time. As developing countries grow more industrialized, global demand for gasoline increases. From the beginning of 2005 through the middle of 2008, overall prices of gasoline in the United States rose steadily. At that time, the average price of a gallon of gas in United States was $1.78. By the middle of 2008, the price had reached the national average of nearly $4.00 per gallon. By the end of 2008, however, reduced demand sent prices back down to around $1.60 per gallon.

These changes occurred because of increases and decreases in crude oil prices. From 2005 to mid-2008, the price per barrel of crude oil rose from $42.00 to more than $100.00 per barrel. By the end of 2008, the price fell to less than $50.00 per barrel. In addition to free-market effects, a number of other factors can and do play a role in gasoline prices. Developments in world politics sometimes disturb market forces. Oil prices also are subject to manipulation. The Organization of Petroleum Exporting Countries (OPEC) accounts for 40 percent of the world's crude oil production. This group routinely limits the amount of oil its members export. This results in higher gasoline and oil prices worldwide.

AVERAGE PRICES FOR GASOLINE, UNITED STATES
December 2007–December 2012



4. Based on the information above, place each drag-and-drop option in the correct blank to complete the diagram.

Drag-and-Drop Options

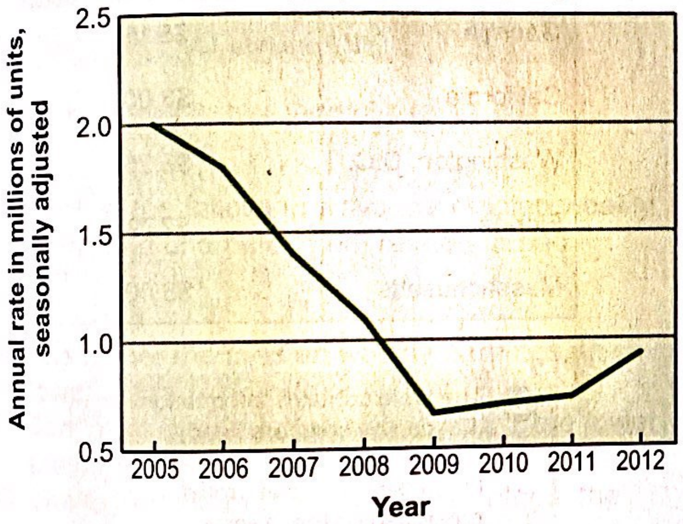
limited exports of oil
declining demand
low crude oil prices

DIRECTIONS: Study the passages and the graphs. Read the questions. Then use the drag-and-drop options to complete the diagrams.

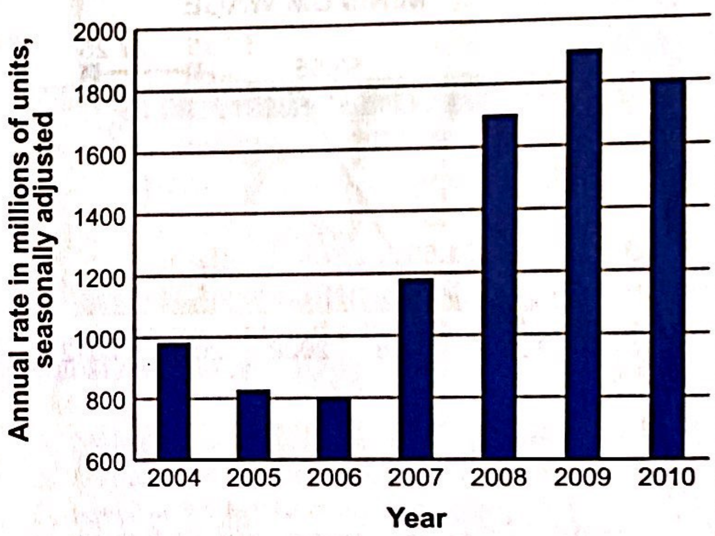
The graph below shows new U.S. housing starts for a recent period. Housing starts are the number of new homes being built nationally. The number is considered a leading economic indicator. Beginning in 2006, U.S. housing starts began to decline. In addition, many people who had borrowed money to pay for their homes could no longer make their loan payments. Lenders took possession of the homes, resulting in an increase in empty houses for sale.

In many cases, the problems were caused by the type of loans taken out by homebuyers. These adjustable-rate loans offered affordable payments in the beginning, but the amount owed each month was connected to general economic conditions. As economic expansion slowed, home payments grew higher. Many homebuyers could no longer afford them. Lenders foreclosed on many loans, taking ownership of the houses.

HOUSING STARTS



FORECLOSURES



5. Drag and drop the causes and effects into the correct places in the diagram.

CAUSE	EFFECT

Drag-and-Drop Options

Decrease in housing starts
Increase in housing starts
Increase in construction and carpentry industry jobs
Decrease in construction and carpentry industry jobs

6. Drag and drop the causes into the correct places in the diagram.

Increase in foreclosures

Drag-and-Drop Options

Adjustable-rate mortgages
Increase in housing starts
Poor economic conditions
Positive economic activity