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| Chapter Test Economic Activity |
| Part 1 True or False (3 points each)**Directions**Place a *T* for True or an *F* for False in the Answers column to show whether each of the following statements is true or false.  |  |  |
| **Answers** |
| 1. | Only final goods are counted when GDP is measured. | 1. |  |
| 2. | The main cause of unemployment is reduced demand for the goods and services being provided by various workers. | 2. |  |
| 3. | If wages increase faster than gains in productivity, the cost of producing goods decrease and prices fall. | 3. |  |
| 4. | Some nations have such abundant resources that they never experience economic bad times. | 4. |  |
| 5. | The last depression in the United States occurred during the 1980s. | 5. |  |
| 6. | Inflation can sometimes occur when the demand for goods and services is greater than the supply. | 6. |  |
| 7. | People with poor credit ratings pay a higher interest rate to borrow money than people with good credit ratings. | 7. |  |
| 8. | In the United States, the personal savings rate is rather high. | 8. |  |
| 9. | When you buy a corporate bond, you have lent money to the company. | 9. |  |
| 10. | A well-run business should never need to borrow money. |  10.  |  |
| Part 2 Multiple Choice (3 points each) **Directions**In the Answers column, write the letter that represents the word, or group of words, that correctly completes the statement or answers the question.  |  |  |
| **Answers** |
|  11. | Which of the following would NOT be included in a measure of GDP? (a) Ivanhoe Publications exports $25 million of books to Ireland. (b) The U.S. government buys office supplies worth $30 million from The Supply Closet. (c) You give your car a tune-up and change the oil yourself. (d) You hire Larry’s Lawn Care to cut your grass once per week during the summer for $50/week. |  11. |  |
|  12. | An increase in GDP per capita means that (a) an economy is growing (b) an economy is in a recession (c) unemployment is too high (d) individuals are not saving enough. |  12. |  |
|  13. | In the U.S., the labor force consist of all people above age \_\_\_ who are actively working or seeking work (a) 21 (b) 18 (c) 16 (d) 14. |  13. |  |
|  14. | A period of economic recovery (a) is considered the high point of the business cycle (b) is characterized by a rise in GDP (c) usually causes businesses to lowering production (d) is marked by widespread unemployment. | 14. |  |
| 15. | Inflation (a) is least harmful to people on fixed incomes (b) causes the buying power of the dollar to increase (c) generally occurs at the same rate from year to year (d) can sometimes stimulate economic activity if it is kept relatively low. | 15. |  |
|  16. | The interest rate financial institutions are charged to borrow funds from Federal Reserve Banks is called the (a) discount rate (b) prime rate (c) certificate of deposit rate (d) T-bill rate. |  16. |  |
|  17. | The money for capital projects usually comes from (a) personal savings (b) stock investments (c) bonds (d) all of the above. |  17. |  |
|  18. | Which type of business sells stock? (a) partnership (b) corporation (c) proprietorship (d) all businesses sell stock. |  18. |  |
|  19. | People who buy bonds are called (a) debtors (b) owners (c) creditors (d) consumers. |  19. |  |
|  20.  | The total amount owed by the federal government is called the (a) budget surplus (b) budget deficit (c) balanced budget (d) national debt. |  20.  |  |
| Part 3 Matching (2 points each)**Directions**In the Answers column match the following terms with their definition.

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| A. | unemployment rate | F. | Prosperity |
| B. | productivity | G. | Stock |
| C. | personal income | H. | Bond |
| D. | depression | I. | recession |
| E. | inflation | J. | deflation |

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|   |  | **Answers** |
|  21. | A period in the business cycle when most people who want to work are working, wages are good, and GDP growth increases. |  21. |  |
|  22. | The production output in relation to a unit of input. |  22. |  |
|  23. | A period in the business cycle marked by a long period of high unemployment, weak consumer sales, and business failures. |  23. |  |
|  24. | An increase in the general level of prices. |  24. |  |
| 25. | The portion of people in the labor force who are not working. |  25. |  |
|  26. | Represents ownership in a corporation. |  26. |  |
|  27. | Salaries and wages as well as investment income and government payments to individuals. |  27. |  |
|  28. | A period in the business cycle when demand begins to decrease, unemployment begins to rise, and GDP growth slows for at least two quarters in a calendar year. |  28. |  |
|  29. | Represents debt for an organization. |  29. |  |
|  30. | A decrease in the general level of prices |  30.  |  |
| Part 4 Fill in the Blank (4 points each)**Directions**Fill in the word or phrase that best completes each statement. |
|  31. | The total dollar value of all final goods and services produced in a country during one year is called \_\_\_\_\_\_ |
|  32. | The sales of durable and nondurable goods bought by consumers is called \_\_\_\_\_\_\_ |
|  33. | The movement of the economy from one condition to another and back again is called the \_\_\_\_\_ |
|  34. | A(n) ***\_\_\_\_\_\_\_\_*** is a number that compares prices in one year with some earlier base year |
| 35. | ***\_\_\_\_\_\_\_\_\_\_\_***refers to money spent by a business for an item that will be used over a long period. |