

CHAPTER

2

Economic Activity

Part 1: Content Review

Matching

Write the letter of the correct term for each definition on the line provided.

Terms

- | | |
|---------------------------|--------------------|
| A. gross domestic product | F. monopoly |
| B. inflation rate | G. fiscal policy |
| C. labor force | H. monetary policy |
| D. business cycle | I. commerce |
| E. recession | J. price fixing |

- _____ 1. Central bank regulation of money supply and interest rates.
- _____ 2. Activities involved in buying and selling goods on a large scale.
- _____ 3. All the people in a nation who are capable of working and want to work.
- _____ 4. Occurs when two or more businesses in an industry agree to sell the same good or service at the same price.
- _____ 5. Alternating periods of expansion and contraction in an economy.
- _____ 6. Rate of change in prices calculated on a monthly or yearly basis.
- _____ 7. Tax and spending decisions made by the President and Congress.
- _____ 8. The market value of all final products produced in a country during a specific period of time.
- _____ 9. A period of significant decline in the total output, income, employment, and trade in an economy.
- _____ 10. Market structure with one business that has complete control of a market's entire supply of goods and services.

Multiple Choice

Place the letter of the correct answer to each question on the line provided.

- _____ 1. Gross domestic product (GDP) is also known as economic _____.
A. input
B. growth
C. output
D. policy
- _____ 2. Which type of spending is *not* a component of gross domestic product (GDP)?
A. Consumer
B. Business
C. Government
D. Stock market
- _____ 3. A general rise in prices throughout an economy is called _____.
A. inflation
B. deflation
C. per capita GDP
D. fiscal policy
- _____ 4. The amount a borrower pays for a loan is _____.
A. lending
B. interest
C. inflation
D. commerce
- _____ 5. A rising unemployment rate indicates a _____.
A. stronger economy
B. rising standard of living
C. weaker economy
D. period of hyperinflation
- _____ 6. Which is *not* a stage of the business cycle?
A. Specialization
B. Expansion
C. Peak
D. Recession
- _____ 7. A(n) _____ is a market structure with a small number of businesses selling the same or similar products.
A. monopoly
B. oligopoly
C. monopolistic competition
D. perfect competition
- _____ 8. Which of the following is *not* a role of government in an economy?
A. Promote competition
B. Provide a legal framework
C. Promote monopolies
D. Manage the economy

Name _____

- _____ 9. Fiscal policy involves _____ decisions made by the government.
- A. tax and spending
 - B. antitrust laws
 - C. money supply and interest rates
 - D. consumer protection
- _____ 10. The peak of a business cycle marks the _____.
- A. end of a contraction
 - B. beginning of high unemployment
 - C. end of an expansion
 - D. beginning of government regulation

Completion

In the space provided, write the word(s) that best completes each of the following statements.

- _____ 1. The strength of an economy can be measured using certain economic _____.
- _____ 2. The economic growth rate of a country shows the amount and direction of the change in _____.
- _____ 3. The activities involved in buying and selling goods on a large scale are considered _____.
- _____ 4. The more products a worker produces in a given amount of time, the higher the worker's _____.
- _____ 5. Ownership of a corporation is divided into _____.
- _____ 6. A period of economic contraction that is severe and lasts a long time is called a(n) _____.
- _____ 7. The central bank of the United States is the _____.
- _____ 8. Laws that promote fair trade and competition among businesses are known as _____ laws.
- _____ 9. Something that is not directly connected to economic activity, but that affects people, is called a(n) _____.
- _____ 10. A competitive advantage based on factors other than price is _____ competition.