

# Chapter 2

## Economic Activity

### Answer Key

#### Part 1: Content Review

##### Matching

1. H
2. I
3. C
4. J
5. D
6. B
7. G
8. A
9. E
10. F

##### Multiple Choice

1. C
2. D
3. A
4. B
5. C
6. A
7. B
8. C
9. A
10. C

##### Completion

1. indicators
2. gross domestic product (GDP)
3. commerce
4. productivity
5. shares
6. depression
7. Federal Reserve System
8. antitrust
9. externality
10. nonprice

## Part 2: Concept Review

### Open Response

1. GDP is used by the president and congress to prepare the budget for the federal government. It is used by companies when preparing business plans and sales forecasts. Financial institutions also use GDP as an indicator of economic activity, which can affect interest rates. When GDP is rising, the economy is growing. When the rate of GDP growth is below average, it is a sign that the economy is weakening.
2. High inflation hurts people who live on a fixed income because they have less purchasing power. High inflation leads to higher interest rates, which makes borrowing money more expensive. It also disrupts the financial planning of workers because prices rise faster than wages. In general, high inflation adds uncertainty to an economy.
3. When the economy is slow or weak, it may take action to increase the money supply and lower interest rates. When interest rates are lowered, it makes borrowing money easier, which may encourage consumers and business to spend more. When more money is spent, the economy grows faster.
4. There are four stages of the business cycle: expansion, peak, recession, and trough. Economic expansion is a period when the economy is growing and the GDP is rising. Businesses increase production and hire more workers to meet increased consumer demand. The peak marks the end of expansion and is the highest point in the business cycle. At this point, consumer demand for goods and services starts to slow. Overall economic growth slows. Recession is a period of significant decline in the total output, income, employment, and trade in an economy. A trough is the lowest stage of a business cycle and marks the end of a recession. The economy begins to grow again and is fueled by increased consumer demand for goods and services.
5. Student answers will vary. Evaluate responses individually.

## Part 3: Math Skills

### Order of Operations

1.  $13 \times (6 + 2) + 32 - 4 = 109$   
 $13 \times 8 + 32 - 4 =$   
 $13 \times 8 + 9 - 4 =$   
 $104 + 9 - 4 =$   
 $113 - 4 = 109$
2.  $12 \div (12 - 8) + 4 \times (8 - 2) - 32 =$   
 $12 \div 4 + 4 \times 6 - 32 =$   
 $12 \div 4 + 4 \times 6 - 9 =$   
 $12 \div 4 + 24 - 9 =$   
 $3 + 24 - 9 = 18$
3.  $15 \times 4 + (19 - 17)^2 = 64$   
 $15 \times 4 + (2)^2 =$   
 $15 \times 4 + 4 =$
4.  $((2 \times 7) + (4 \times 8) + (5 \times 11)) \div 101 = 1$   
 $(14 + 32 + 55) \div 101 =$   
 $101 \div 101 = 1$

5.  $(10 + 2) + 22 \div (8 - 6) = 14$   
 $12 + 22 \div 2 =$   
 $12 + 4 \div 2 =$   
 $12 + 2 = 14$

## Part 4: Communication Skills

### Listening

1. Student answers will vary. Evaluate responses individually.
2. Student answers will vary. Evaluate responses individually.
3. Student answers will vary. Evaluate responses individually.
4. Student answers will vary. Evaluate responses individually.
5. Student answers will vary. Evaluate responses individually.