

## 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.

Name \_\_\_\_\_

## Part 2: Concept Review

### Open Response

*Write your response to each of the following statements or questions in the space provided.  
Use complete sentences.*

1. Explain how gross domestic product is used in making economic and business plans.

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2. Explain the impact of high inflation on workers and consumers.

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3. How might the government use monetary policies when the economy is slow or weak?

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Name \_\_\_\_\_

4. What are the four stages of the business cycle? Explain the activity in each stage.

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5. You are thinking about starting an athletic shoe company. Make a list of four factors or strategies you might use to gain an advantage over your competitors. Identify each as either a price or nonprice competition factor.

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Name \_\_\_\_\_

## Part 3: Math Skills

### Order of Operations

The order of operations is a set of rules stating which operations in an equation are performed first. The order of operations is often stated using the acronym *PEMDAS*. *PEMDAS* stands for parentheses, exponents, multiplication and division, and addition and subtraction. This is the order in which computations are made.

It is important to follow this order so that the correct answer can be found. Take for example the following equation

$$((45 \times 2) + (3 \times 7)^2 - 12) \div 2 =$$

According to *PEMDAS*, the equation is correctly solved by the following steps.

$$(45 \times 2) = 90$$

$$(3 \times 7) = 21$$

$$21^2 = 441$$

$$90 + 441 - 12 = 519$$

$$519 \div 2 = 259.5$$

If the equation is calculated by ignoring *PEMDAS*, the answer is incorrectly calculated as

$$((45 \times 2) + (3 \times 7)^2 - 12) \div 2 = 231$$

*Use the order of operations to solve the following problems.*

1.  $13 \times (6 + 2) + 32 - 4 =$

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2.  $12 \div (12 - 8) + 4 \times (8 - 2) - 3^2 =$

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3.  $15 \times 4 + (19 - 17)^2 =$

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Name \_\_\_\_\_

4.  $((2 \times 7) + (4 \times 8) + (5 \times 11)) \div 101 =$

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5.  $(10 + 2) + 2^2 \div (8 - 6) =$

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Name \_\_\_\_\_

## Part 4: Communication Skills

### Listening

The ability to listen and process important information is an essential skill for any business owner or employee. It is difficult to properly follow instructions or serve a customer without listening carefully. Practice your listening skills. *Listen* carefully to a news story on television, radio, or an Internet stream. After the news report, answer the following questions in the space provided.

1. Who: Who is the story about?

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2. What: What is the main point of this story?

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3. When: When did this story occur?

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4. Where: Where did it occur?

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5. Why: Why is this story important?

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