Unit 4 Review

DIRECTIONS: Study the information and the table, read the questions, then choose the **best** answer.

An economic depression, which lasts a number of years, is characterized by economic factors such as substantial increases in unemployment, a drop in available credit, diminishing output, bankruptcies, government debt defaults, reduced commerce and trade, and sustained **volatility** in currency values.

The output of an economy is based on the Gross Domestic Product (GDP). The table below shows the progression of the GDP from its high level in 1929 to its low point in 1933 and the recovery that followed. Although the recovery from The Great Depression of the 1930s, appears to happen fairly quickly, the U.S. was not meeting its capabilities in domestic products.

Depressions usually begin through a combination of decreases in demand and overproduction. These factors lead to decreased production, workforce reductions, and diminished wages for employees. As these changes weaken consumers' purchasing power, a depression can worsen and become more widespread.

Recovery from a depression typically requires either the existing overstock of goods to be depleted or the emergence of new markets. At times, government intervention might be necessary to **stimulate** an economic recovery.

REAL U.S. GROSS DOMESTIC PRODUCT, 1929–1939 (YEAR-2005 DOLLARS)

YEAR	REAL GDP IN BILLIONS
1929	976.1
1930	892.0
1931	834.2
1932	725.2
1933	715.8
1934	793.7
1935	864.2
1936	977.0
1937	1,027.1
1938	991.8
1939	1,071.9

1. Which of the following conclusions can be drawn based on the information and the table?

   A. The United States had been in a period of recession throughout the 1920s.
   B. The production of war supplies for World War II led to a depression in the United States.
   C. The purchasing power of U.S. consumers grew increasingly weak during the early 1930s.
   D. Government intervention in the U.S. economy during the 1920s created a depression during the 1930s.

2. Which of the following predictions could you have made about the years following 1939?

   A. Unemployment in the United States would gradually decrease.
   B. The United States would experience a growing number of bankruptcies.
   C. Decreases in demand would continue to drive prices down.
   D. Depression conditions would continue to drive prices down.

3. Which of the following explains why the table shows the U.S. GDP in year-2005 dollars?

   A. unemployment
   B. overproduction
   C. inflation
   D. supply and demand

4. Which of the following can be substituted for the term *volatility* in order to provide the most accurate interpretation of the text?

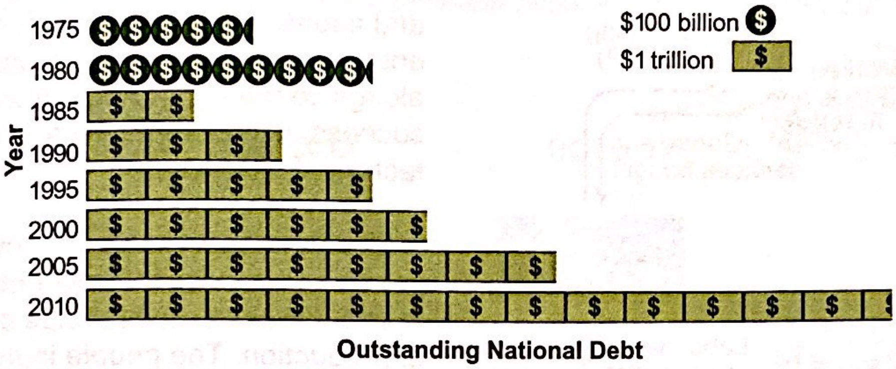
   A. fullness
   B. ambulatory
   C. loudness
   D. instability

5. Which of the following can be substituted for the term *stimulate* in order to provide the most accurate interpretation of the text?

   A. explode
   B. motivate or encourage
   C. inflate
   D. bring to an abrupt halt

DIRECTIONS: Study the graph, read the questions, then choose the **best** answer.

U.S. OUTSTANDING NATIONAL DEBT, 1975–2010



6. Which of the following actions would guarantee a reduction in the rising U.S. national debt as shown in the graph?

A. the continuation of many government programs
B. the approval of a federal budget that produces a surplus dedicated to paying money owed to other nations
C. an increase in tax benefits given to large corporations
D. the passage of new economic stimulus legislation

7. Which of the following statements can you determine to be true based on the pictograph?

A. The U.S. national debt had exceeded $600 billion by 1975.
B. The U.S. national debt decreased between the years 1980 and 1985.
C. The national debt level has continued to rise since 1975.
D. The U.S. national debt expanded more between 1995 and 2000 than it did between 2000 and 2005.

DIRECTIONS: Study the information, read the question, then choose the **best** answer.

The Telework Enhancement Act of 2010 was signed into law on December 9, 2010. The passage and signing of this legislation was a significant milestone in the history of federal telework [telecommuting]. The Act is a key factor in the federal government's ability to achieve greater flexibility in managing its workforce through the use of telework. Well-established and implemented telework programs provide agencies a valuable tool to meet mission objectives while helping employees enhance work/life effectiveness.

Federal agencies, including managers and supervisors, can benefit from telework because it:

- helps with recruiting and retaining the best possible workforce;
- ensures continuity of operations and maintains operations during emergency events—telework is a key component in ensuring the performance of essential government functions during national or local emergencies such as natural disasters or national security incidents, or other situations that may disrupt normal operations;
- helps to reduce traffic congestion, emissions from vehicles … thereby improving the environment;
- promotes management effectiveness by targeting reductions in management costs related to employee turnover and absenteeism, and reduces real estate costs, transit costs, and environmental impact, and
- enhances work/life effectiveness and balance—telework allows employees to better manage their work and family obligations, thereby retaining a more resilient, results-oriented federal workforce …

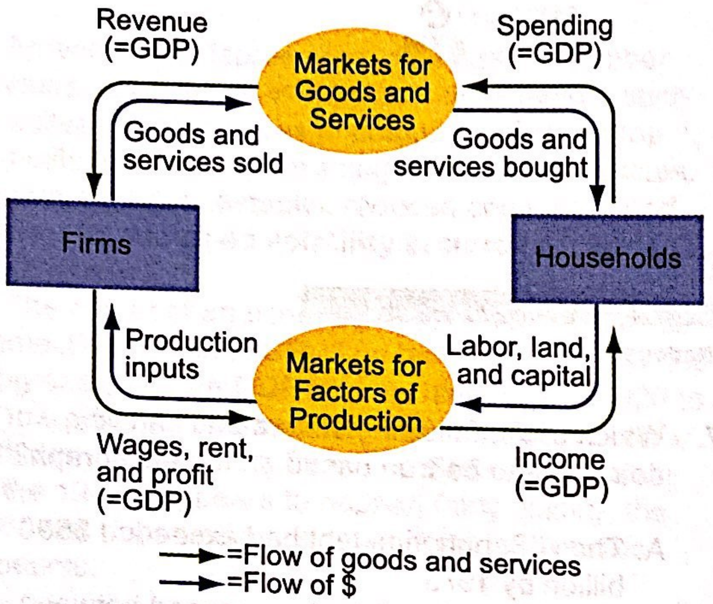
From the telework.gov *Guide to Telework in the Federal Government*, 2011

8. Which can be expected based on the description of benefits to managers and supervisors?

A. large turnover in the workforce
B. higher overhead costs for the government
C. the need for higher level security clearances
D. increased productivity from teleworkers

DIRECTIONS: Study the flowchart and the information, read the questions, then choose the **best** answer.

FLOW OF MONEY, GOODS, AND SERVICES IN THE U.S. ECONOMY



Factors of production are the items used to complete a production process. These factors typically fall into three main categories—land, labor, and capital. At times, a fourth category, defined as entrepreneurship or management, also appears alongside these. In order for a business to achieve success, it must maintain a healthy balance of these factors of production.

The flowchart shows the flow of money, as well as goods and services, throughout the U.S. economy. In this flowchart, households own all of the factors of production. The people in these households sell their labor, land, and capital to firms. In exchange for these factors of production, the people receive wages, rent, and profits.

9. Suppose you own a company that manufactures lawnmowers. Which of the following factors of production would fall under the category of labor?

   A. money contributed to shareholders in your company
   B. your ability to manage your employees effectively
   C. the work of your employees
   D. the property on which your company is located

10. Which of the following factors of production is your willingness to start your own business and manufacture products?

    The willingness to start one's own business and manufacture products is an example of

    A. labor.
    B. capital.
    C. profit.
    D. entrepreneurship.

11. Which of the following actions generates income for firms?

    A. buying goods and services from people in households
    B. selling goods and services to people in households
    C. buying factors of production from households
    D. avoiding the markets for goods and services and factors of production

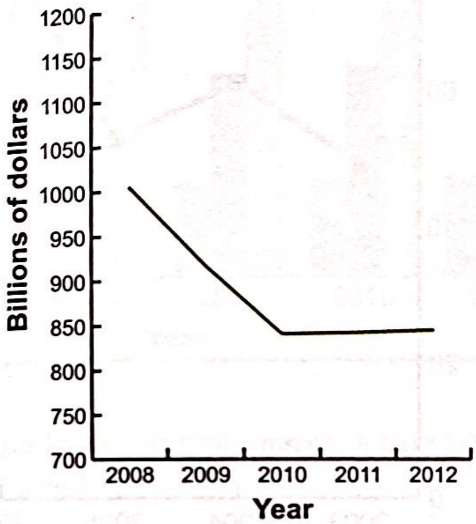
12. Based on the information and the flowchart, which of the following statements can you determine to be true?

    A. Money, goods, and services move in the same direction throughout this economic system.
    B. After receiving wages, rent, and profit, firms use these items to purchase factors of production.
    C. All transactions between firms and households contribute to the nation's GDP.
    D. Firms control all of the production inputs in this economic system.

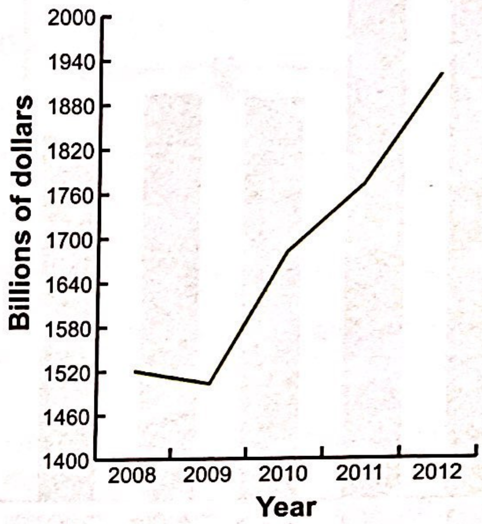
DIRECTIONS: Study the passage and the graphs, read the questions, then choose the **best** answer.

Credit is a form of borrowing money. When you use revolving credit, you have a pre-approved limit and maintain a credit balance. When you use non-revolving credit, you borrow a set amount of money and make equal monthly payments to pay for it. The graphs show the billions of dollars Americans borrowed on credit between 2008 and 2012.

REVOLVING CONSUMER CREDIT 2008–2012



NON-REVOLVING CONSUMER CREDIT 2008–2012



13. How did the recovery period between 2010 and 2012 differ in the areas of revolving and non-revolving credit?

A. Revolving credit stayed lower and steadier than in previous years, and non-revolving credit spiked upward.
B. Revolving credit dropped drastically, while non-revolving credit dropped slightly.
C. Revolving credit stayed higher than in previous years, and non-revolving credit spiked downward.
D. Revolving credit spiked drastically, while non-revolving credit dropped drastically.

14. Why does a lower level of non-revolving credit as shown in 2008 and 2009 indicate an economic recession?

A. Consumer resources and confidence are down so fewer people are buying cars, homes, and businesses.
B. Consumer resources and confidence are up so more people are buying cars, homes, and businesses.
C. Fewer people are paying off credit card balances.
D. More people are paying off credit card balances.

DIRECTIONS: Study the information and the table, read the question, then choose the **best** answer.

The Dow Jones Industrial Average is an indicator that measures changes in the performances of different groupings of stocks. Many people use the Dow Jones Industrial Average as an indicator for stock market growth and economic strength.

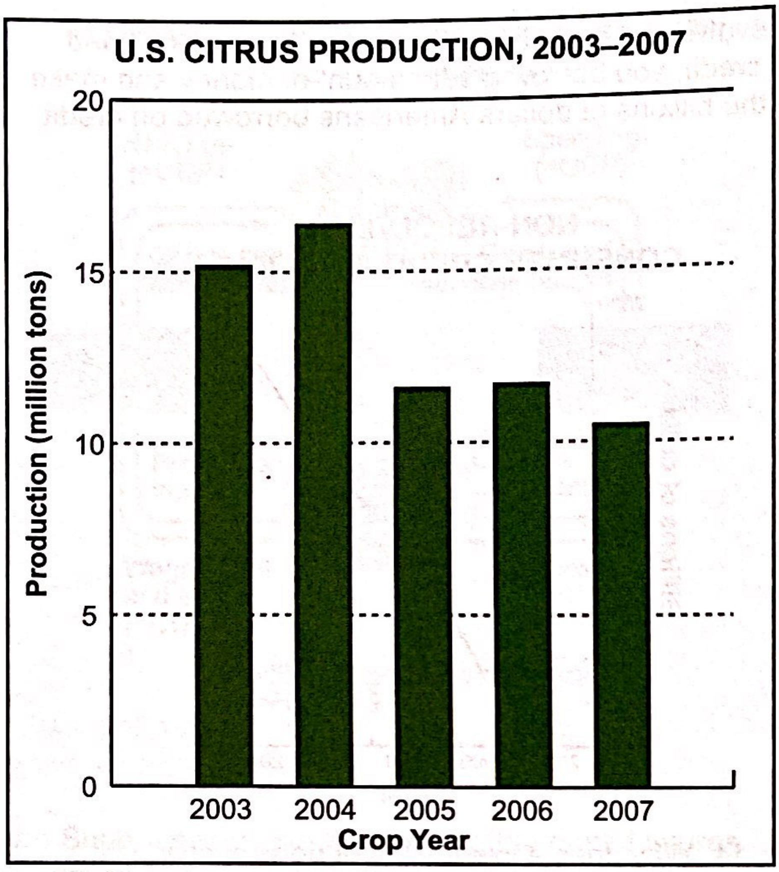
DOW JONES INDUSTRIAL AVERAGE, 1995–2010

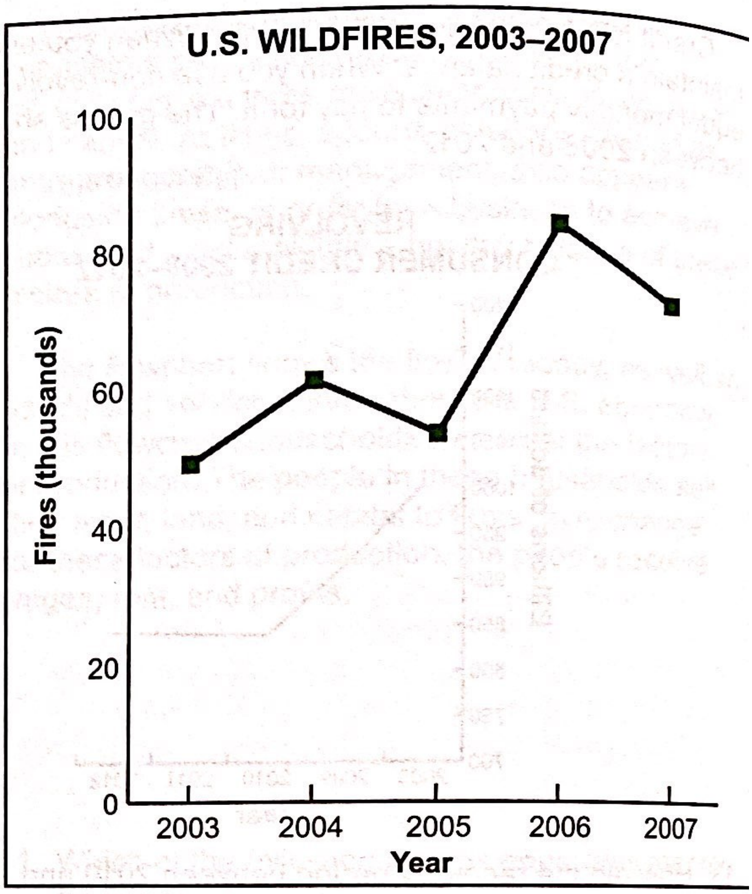
YEAR	DOW AT START OF YEAR	DOW AT CLOSE OF YEAR	CHANGE
1995	3,838.48	5,117.12	+33.45
2000	11,357.51	10,786.85	-6.18%
2005	10,729.43	10,717.50	-0.61%
2010	11,577.51	12,217.56	+5.53%

15. Based on the information and the table, which of the following is most likely true?

A. Many investors made money on their investments in 1995.
B. Most people shied away from investing in 2005.
C. There was a healthy return on investments in 2000.
D. Investors invested heavily in technology in 2010.

DIRECTIONS: Study the graphs, read the questions, then choose the **best** answer.





16. Which of the following could have caused the changes shown on both graphs between 2005 and 2007?

   A. a greater demand for agricultural products
   B. a decrease in productivity per hour
   C. more farmers specializing in citrus
   D. a nationwide drought

17. Assuming that high production yields high profits, which of the following conclusions can be drawn about profits in the citrus industry during the years with the most wildfires?

   A. Profits doubled from previous years.
   B. Profits remained the same as in previous years.
   C. Profits declined from previous years.
   D. Profits increased from previous years.

18. How does the year 2004 compare with regard to citrus production and wildfires?

   While citrus production peaked in 2004, wildfires

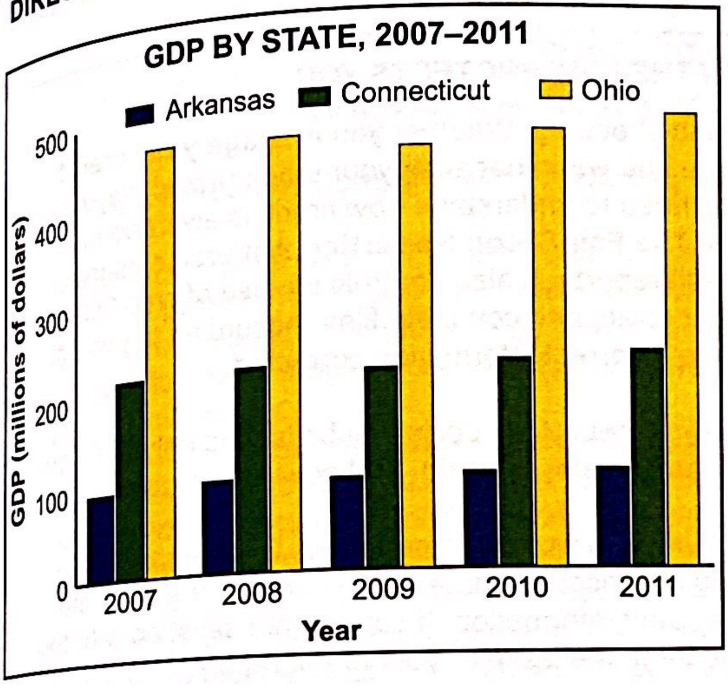
   A. were the highest in a five-year span.
   B. were the second highest in a five-year span.
   C. were the third highest in a five-year span.
   D. were the fourth highest in a five-year span.

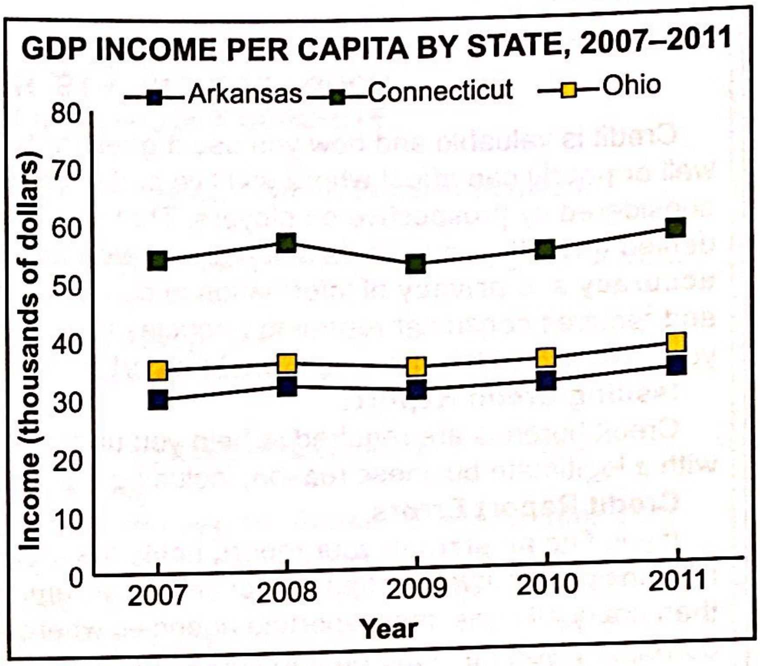
19. Between which periods did the number of wildfires in the United States increase the most?

   U.S. wildfires increased the most between

   A. 2006 and 2007.
   B. 2005 and 2006.
   C. 2004 and 2005.
   D. 2003 and 2004.

DIRECTIONS: Study the multi-bar and multi-line graphs, read the questions, then choose the **best** answer.





20. Which of the following statements is true based on the two graphs?

A. The GDP and per capita income of Arkansas remained at about 50% of those of Ohio for the period shown.
B. For each state, the GDP and per capita income increased at similar rates.
C. The period from 2011 to 2015 would likely feature little change in GDP and per capita income for each state.
D. GDP and per capita income are not related.

21. Which conclusion are you able to reasonably draw based on a comparison of GDP and income by state as shown in the two graphs?

A. Imports to Ohio have decreased each year since 2003.
B. The population of Arkansas is expanding at a higher rate than that at which its wages are increasing.
C. The GDP of Arkansas and Connecticut will eventually reach the same level.
D. Connecticut has a smaller population than Ohio.

22. Unlike the multi-line graph, the multi-bar graph does not take into account which of the following items when measuring the data?

A. the population of each state
B. the number of businesses located in each state
C. the variety of industries found in each state
D. the national standard for its subject

DIRECTIONS: Study the information and the question, then choose the **best** answer.

Economic incentives are used to encourage people to make certain choices. Most often, economic incentives involve money, but they may also involve goods or services. An economic incentive can be positive or negative. A positive incentive rewards you for making a certain choice or behaving in a certain way. A negative incentive does the opposite—it punishes you for making a certain choice or behaving in a certain way.

23. Which of the following is an example of a positive economic incentive?

A. interest charged on your credit card for nonpayment of the entire debt
B. fines for returning library books late
C. a $50.00 refund for opening a new checking account
D. an extra ten-cent charge per minute on your monthly cell phone statement

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

YOUR CREDIT RIGHTS: HOW THE LAW PROTECTS YOU

Credit is valuable and how you use it goes far beyond shopping. Whether you **manage your credit** well or poorly can affect where you live and even where you work, because your credit record may be considered by prospective employers. That is why you need to understand how credit is awarded or denied and what you can do if you are treated unfairly. The **Fair Credit Reporting Act** promotes the **accuracy** and **privacy** of information in consumer credit reports. It also controls the use of credit reports and requires consumer reporting agencies to maintain correct and complete files. According to this act, you have a right to review your credit report and to have incorrect information corrected.

Issuing Credit Reports

Credit bureaus are required to help you understand your report. Reports can be issued only to those with a legitimate business reason, including creditors, employers, insurers, and government agencies.

Credit Report Errors

If you find an **error** in your report, notify the credit bureau in writing immediately. The bureau is responsible for investigating and changing or removing any incorrect data. The source of the error must then notify all consumer reporting agencies where they sent information. If you are not satisfied with the correction, you have the right to add a brief statement about the issue to your credit report.

Denied Credit

If your application is denied due to report error, the **lender** must provide you with the name and address of the credit bureau that issued the report. Then, you have 30 days to request a free copy from the bureau. The bureaus must disclose to you all information in the report, its source, and who has recently received the report. You have the right to have the credit bureau re-issue corrected reports to lenders who received reports within the last six months, or to employers who received one in the past two years.

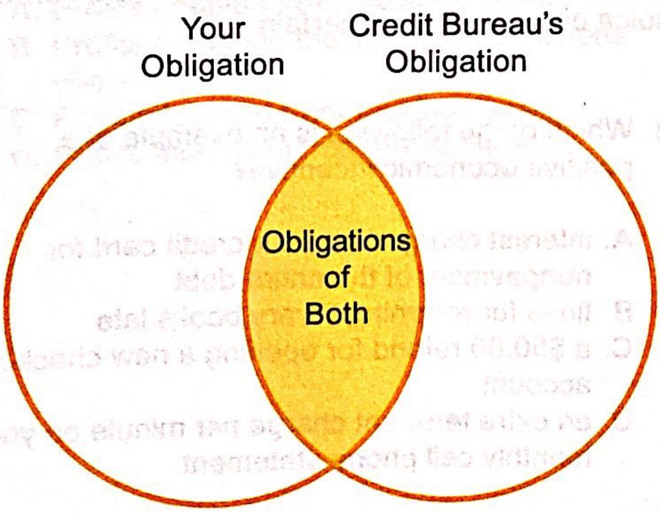
Disclosure

Consumer reporting agencies must provide you access to the information in your credit report, as well as identify those who have requested the information recently. You are entitled to one free report a year. You may be charged if you request additional reports within a twelve-month period.

Limiting Access

You may ask reporting agencies to not distribute your name on lists used by creditors and insurers to make unsolicited offers. Consumers have the right to sue consumer reporting agencies, users, and providers in state and federal court for violations of the Fair Credit Reporting Act.

24. Obligations to use and manage credit fall into one of these responsibility categories. Based on the passage, determine whether each drag-and-drop option is your obligation, the Credit Bureau's obligation, or the obligation of both.



Drag-and-Drop Options
Accuracy
Compliance with the Act
Error Investigation
Managing Credit
Privacy
Working with Lenders

DIRECTIONS: Study the information, read the questions, then choose the **best** answer.

COMPETITION COUNTS

HOW CONSUMERS WIN WHEN BUSINESSES COMPETE

The FTC's Bureau of Competition: Protecting Free Enterprise and American Consumers

What if there were only one grocery store in your community? What if you could buy a camera from only one supplier? What if only one dealer in your area sold cars?

Without competition, the grocer may have no incentive to lower prices. The camera shop may have no reason to offer a range of choices. The car dealer may have no motivation to offer a variety of car models and services.

Competition in America is about price, selection, and service. It benefits consumers by keeping prices low and the quality and choice of goods and services high.

Competition makes our economy work. By enforcing antitrust laws, the Federal Trade Commission helps to ensure that our markets are open and free. The FTC promotes healthy competition and challenges anticompetitive business practices to make sure that consumers have access to quality goods and services, and that businesses can compete on the merits of their work. The FTC does not choose winners and losers – you, as the consumer, do that. Rather, our job is to make sure that businesses are competing fairly within a set of rules ...

Monopoly

A monopoly exists when one company controls a product or service in a market. If it's because it offers consumers a better product at a better price, that's not against the law. But a company that creates or maintains a monopoly by unreasonably excluding other companies, or by impairing other companies' ability to compete ... raises antitrust concerns. For example, a newspaper with a monopoly in a small town could not refuse to run advertisements from businesses that also advertised on a local television station.

From ftc.gov, accessed 2013

25. Which of the following is necessary for a market to be competitive?

A. international exchange
B. government control over prices
C. one company to sell each product
D. more than a single seller and buyer

26. Which of the following best describes a monopolistic market?

A. one in which multiple sellers help maintain lower prices
B. one in which consumers only have one seller from which to purchase a product
C. one in which only one type of good is exchanged
D. one in which consumers are given more power than sellers

27. How do consumers select business "winners and losers" in a free market economy?

A. Consumers choose which products to buy.
B. Consumers support monopolies.
C. Consumers pay higher prices for convenience.
D. Consumers shop for the best values.