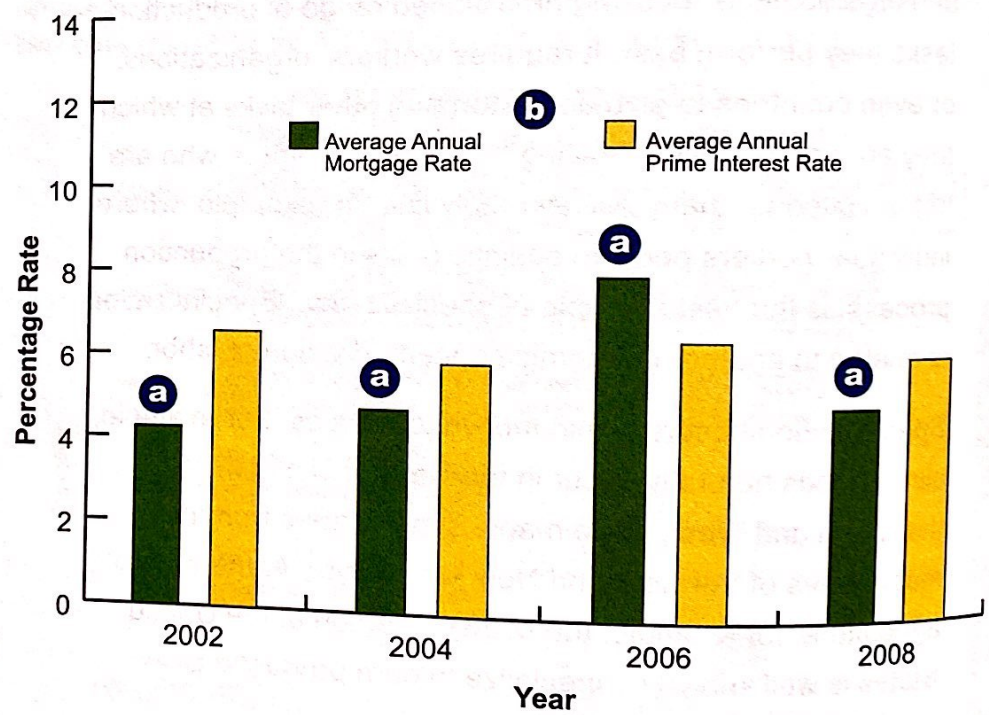## AVERAGE ANNUAL MORTGAGE & PRIME INTEREST RATE

a By studying the bars of a double-bar graph, you can compare two quantities at a given time, as well as the ways in which these quantities change over time.

b The key of a double-bar graph will typically use color or shading to identify what each bar represents. In this graph, one bar represents the average annual mortgage rate, while the other represents the average annual prime interest rate.

b ■ Average Annual Mortgage Rate □ Average Annual Prime Interest Rate

(y-axis) Percentage Rate — 0, 2, 4, 6, 8, 10, 12, 14
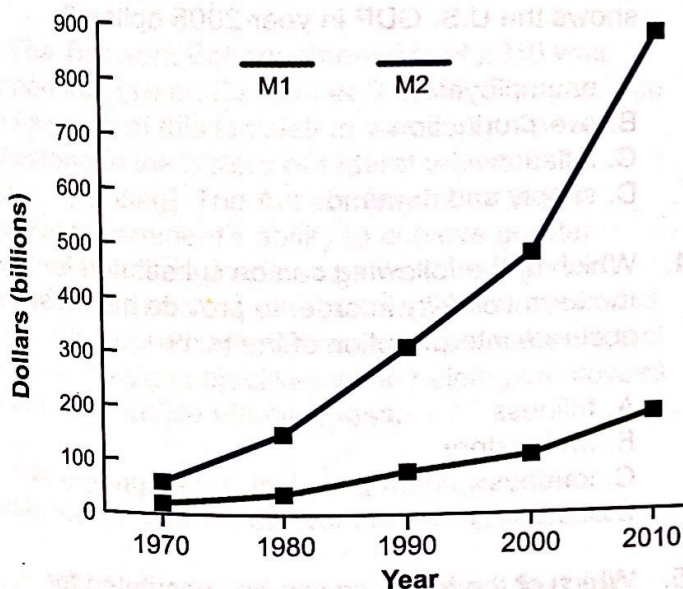(x-axis) Year — 2002, 2004, 2006, 2008

1. Based on the double-bar graph above, which of the following statements is true?

A. In 2002, the average mortgage rate was higher than the average prime interest rate.

B. The average prime interest rate in 2008 was about 6 percent.

C. The average mortgage rate in 2006 was about 10 percent.

D. The average mortgage rate dropped by about 2 percent between 2004 and 2006.

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

The Federal Reserve, or "The Fed," as it is popularly known, is the central bank of both the United States government and the nation's banking system. The Fed regulates banks, in addition to issuing currency and carrying out monetary policy for the nation. One of the Fed's most notable functions is its control of the nation's money supply. To increase the nation's money supply, the Fed can buy U.S. Treasury securities from banks and the American public, injecting new cash into the economy. It also can increase the money supply by lowering the interest rate at which it lends to commercial banks. This will encourage banks to borrow more money from the Fed, thereby raising the money supply.

In the United States, money supply is evaluated in different categories, or measures. Items are placed into these categories according to their liquidity, or how easily they can be turned into cash. The first category, M1, includes the coins and paper money held by the public and checking deposits at public banks. The second category, M2, includes all of M1 plus savings deposits, interest-earning deposits less than $100,000, and money market deposits and mutual funds.

U.S. MONETARY SUPPLY, M1 & M2

2. Which of the following statements will always be true?

   A. The value of M1 exceeds $300 billion.
   B. The value of M2 is increasing steadily.
   C. The value of M2 is greater than that of M1.
   D. The value of M1 is approximately one-half the value of M2.

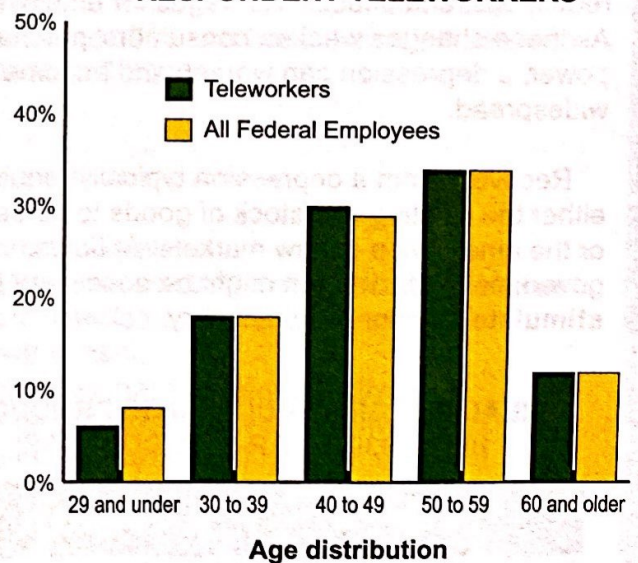3. Which of the following was the approximate value of M1 in 2010?

   A. about $100 billion
   B. about $200 billion
   C. about $300 billion
   D. about $400 billion

4. Based on the information, in which of the following years did the economy probably have the most liquidity in total dollars?

   A. 1980
   B. 1990
   C. 2000
   D. 2010

DIRECTIONS: Study the information presented on the double-bar graph, read the question, then choose the **best** answer.

AGE DISTRIBUTION OF RESPONDENT TELEWORKERS

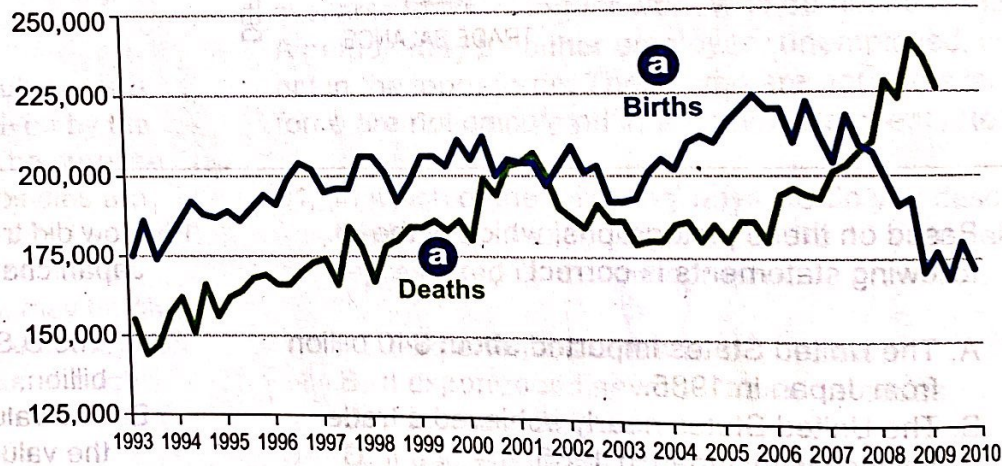5. Which of the following is true of the federal labor force?

   A. Older employees are less likely to telecommute than younger employees.
   B. Age is not a factor in whether federal employees telecommute.
   C. More younger employees than older employees telecommute.
   D. The percentage of employees that telecommute decreases with age.

answer the questions that follow.

ESTABLISHMENT BIRTHS AND DEATHS, 1993–2010

An entrepreneur is a person who undertakes the risks of a business venture. More commonly we think of an entrepreneur as a person who owns a business. When a new business begins, it is said to be "born." When a business closes, it is said to "die."

1. Which of the following best describes establishment births and deaths in the 1990s?

A. The number of births exceeded the number of deaths.
B. The number of births was twice the number of deaths.
C. The number of births and deaths were unchanged.
D. The number of births and deaths were about the same.

2. During which of the following time periods was the economy probably the weakest, based on the information in the graph?
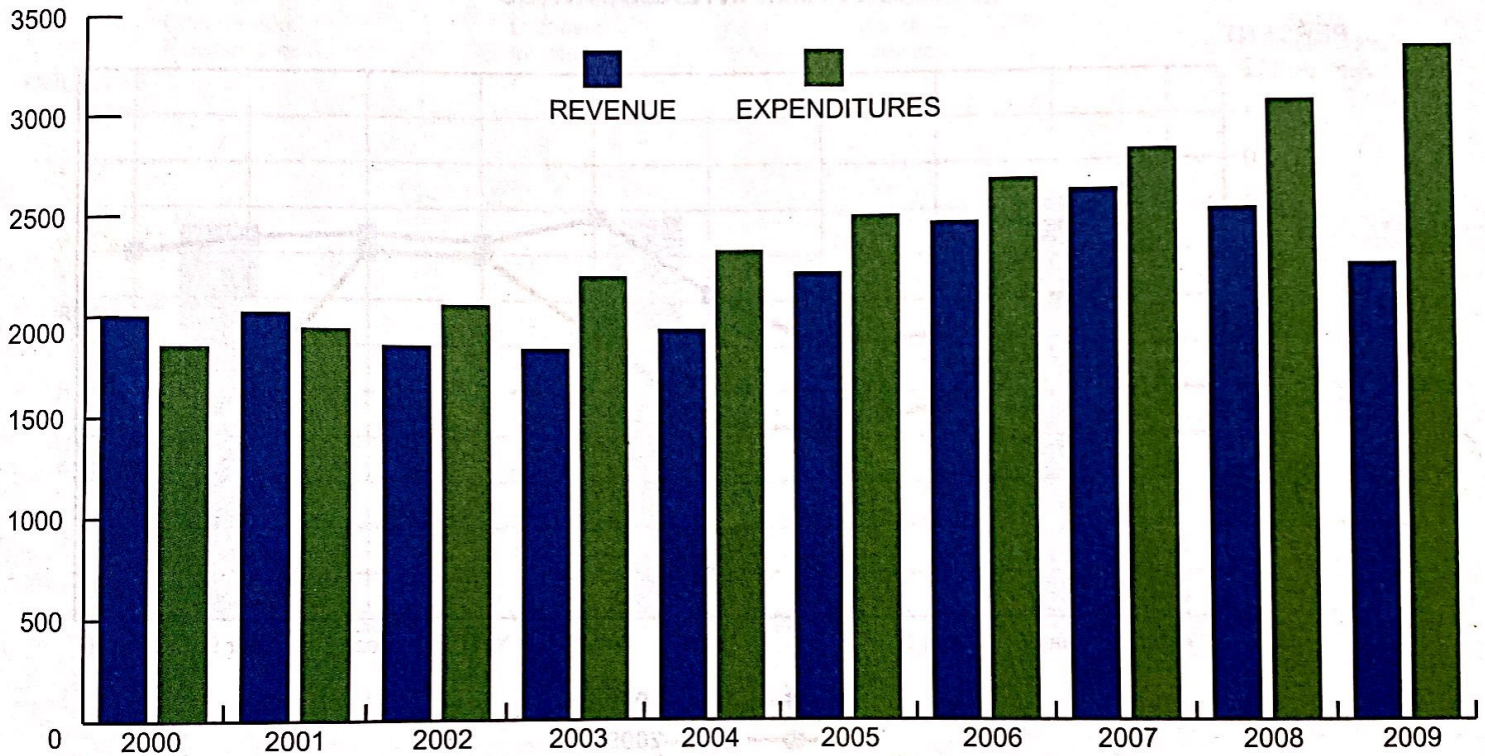
A. 2002–2004
B. 2004–2006
C. 2006–2008
D. 2008–2010

DIRECTIONS: Study the information and double-bar graph, read the questions, then choose the **best** answer.

One important aspect of U.S. fiscal policy is the preparation and approval of an annual budget for the federal government. A budget is a complex plan for collecting and spending the money required to carry out the government's operations. A budget surplus occurs when the amount of money received, or revenue, is greater than the amount of money spent, or expenditures. When expenditures exceed revenue, the result is a budget deficit.

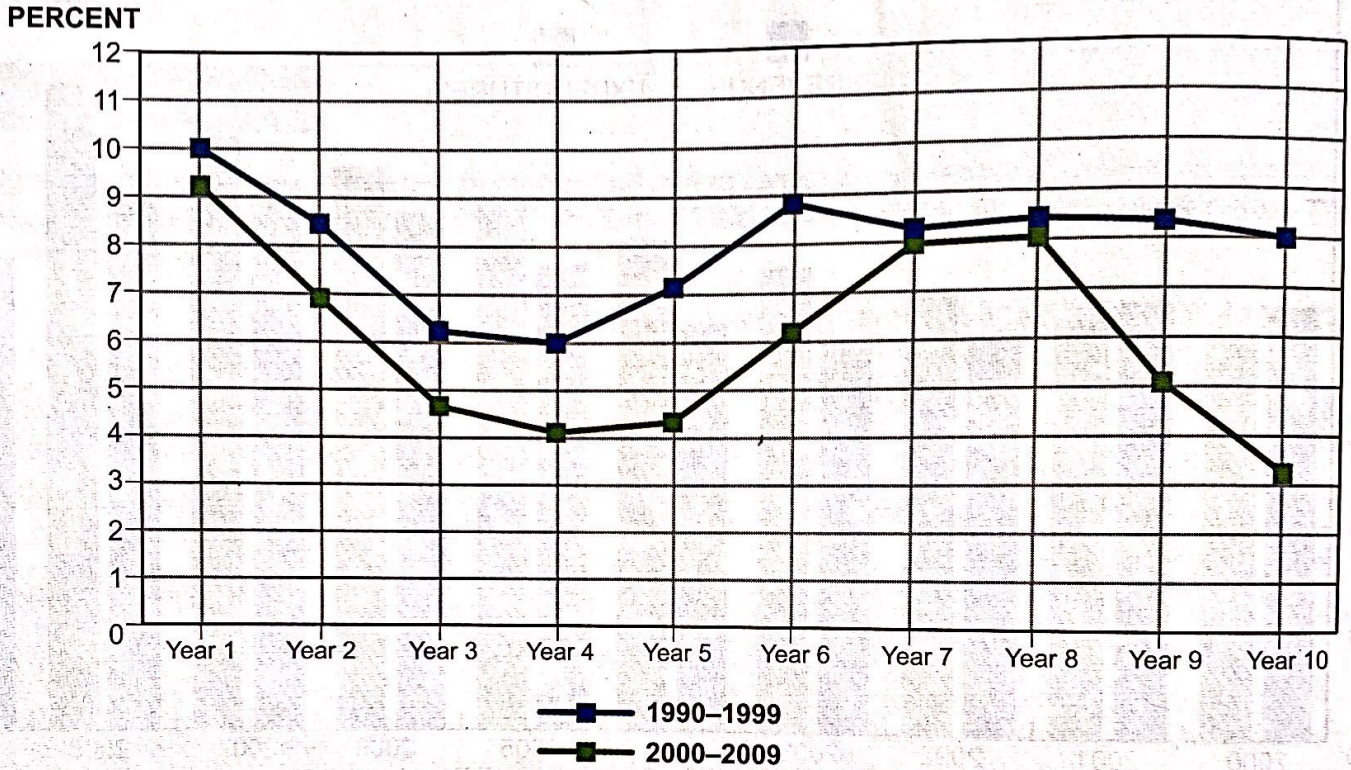## U.S. GOVERNMENT REVENUE & EXPENDITURES

3. Approximately how much money did the U.S. government receive in 2006?

   A. $1,750 billion
   B. $2,000 billion
   C. $2,250 billion
   D. $2,500 billion

4. Which of the following likely occurred in order to produce the trend in government spending shown on the graph?

   A. the elimination of government aid programs such as welfare
   B. tax increases on those making more than $250,000
   C. the addition of many new government programs
   D. a decrease in populations in the lower tax brackets

5. In which of the following years did the federal budget exhibit the largest budget deficit?

   A. 2009
   B. 2008
   C. 2000
   D. 2001

6. Using the double-bar graph, which of the following statements can you determine to be correct?

   A. The U.S. government achieved a surplus in three different years during the period shown on the graph.
   B. The smallest deficit shown on the graph appeared in 2005.
   C. Government revenues exceeded $2,000 billion for the first time in 2005.
   D. Government expenditures decreased during each year shown on the graph.

DIRECTIONS: Study the information and the double-line graph, read the questions, then choose the **best** answer.

Just as the Federal Reserve sets the discount rate at which it lends money to commercial banks, these bank establish interest rates at which they lend money to their customers. The prime rate is the lowest rate of interest that commercial banks charge. Banks will typically only offer the prime rate to their customers who have the strongest credit. The prime rate is also usually available only on specific types of loans. The interest rates of other types of loans are often expressed as a certain percentage over time. The graph shows the prime rate used by banks during two different 10-year periods.
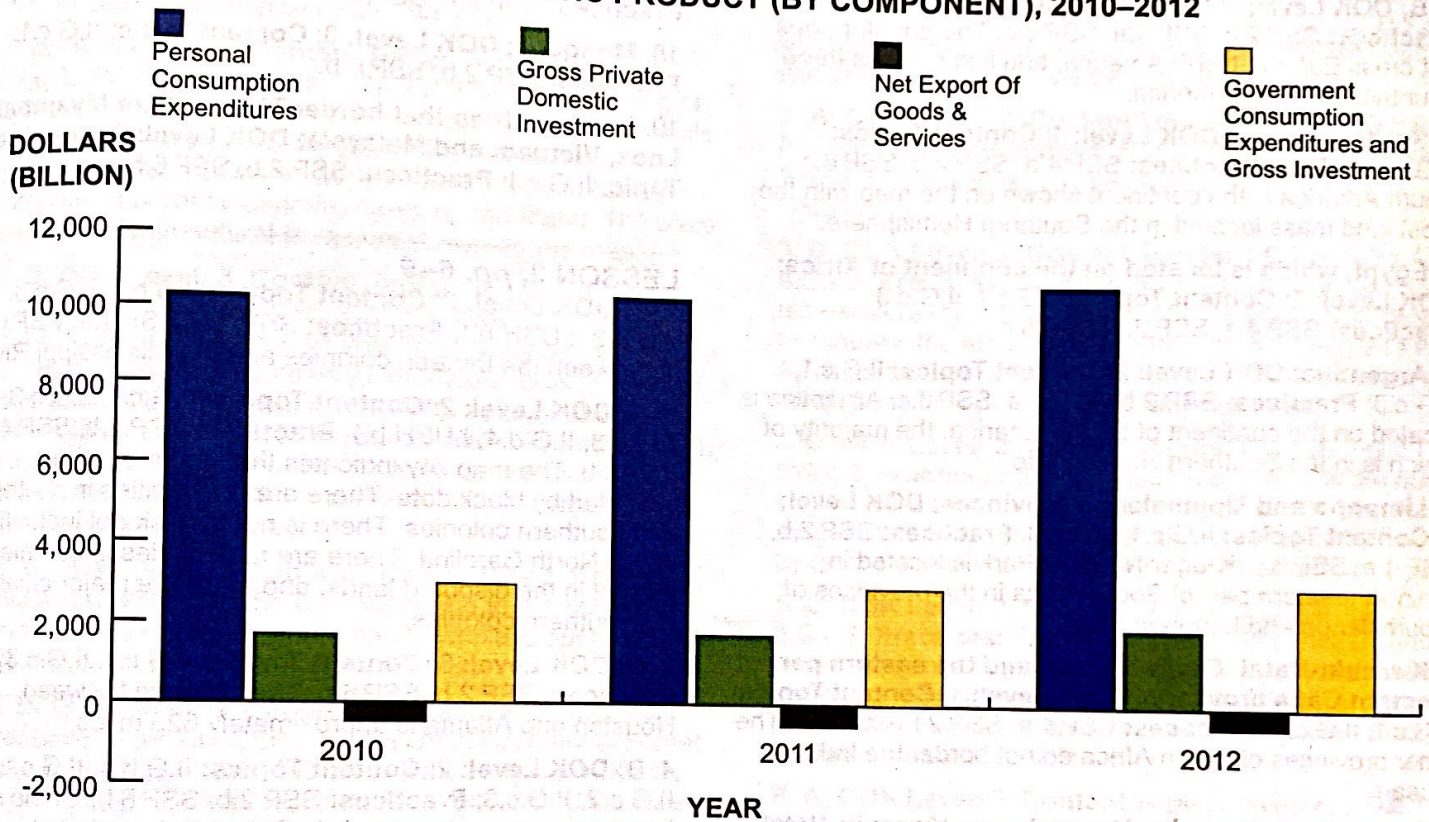
BANK PRIME INTEREST RATES

7. At the beginning of which of the following years did the prime rate reach its lowest point between 1990 and 1999?

   A. Year 3 (1992)
   B. Year 4 (1993)
   C. Year 5 (1994)
   D. Year 6 (1995)

8. Which of the following statements can you determine to be correct, based on the double-line graph?

   A. The prime rate decreased dramatically between 2000 and 2003.
   B. The prime rate in 2007 was lower than the prime rate in 1994.
   C. The prime rate increased in three consecutive years from 1996 to 1998.
   D. The highest prime rate recorded between 2000 and 2009 occurred in 2006.

9. At the end of which of the following years would a preferred borrower have received the best prime rate?

   A. 1990
   B. 1996
   C. 2000
   D. 2003

10. Which of the following generalizations can you make, based on the information contained in this multi-line graph?

   A. The prime rate generally decreased throughout each 10-year period.
   B. The prime rate generally changed by about one percentage point each year.
   C. The changes in prime rate generally followed a bell-shaped curve in each decade.
   D. The prime rate generally remained higher in the 1990s than in the 2000s.

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

One important way to evaluate whether the government's monetary policy is benefiting the nation's economy is to examine the Gross Domestic Product, or GDP. As you have already learned, GDP is the total value of all goods and services produced in a nation during a specified time period. Many nations regard this value as the best indicator of a nation's economic activities. The multi-bar graph shows how the various components of the GDP changed in the United States between 2010 and 2012.

U.S. GROSS DOMESTIC PRODUCT (BY COMPONENT), 2010–2012

■ Personal Consumption Expenditures   ■ Gross Private Domestic Investment   ■ Net Export Of Goods & Services   ■ Government Consumption Expenditures and Gross Investment

DOLLARS (BILLION)

YEAR

11. Which of the following was the approximate value of gross private domestic investment in 2010?

   A. $1,500 billion
   B. $1,750 billion
   C. $2,000 billion
   D. $2,250 billion

12. Which of the following is most likely to account for the negative values shown on the graph?

   A. large increases in government spending on community programs
   B. the growth of high-technology industries in the United States
   C. a negative balance of trade between the United States and other nations
   D. a seasonal increase in domestic consumer spending

13. Based on the information in the graph, which of the following statements is **false**?

   A. The value of personal consumption expenditures decreased each year shown on the graph.
   B. In 2012, the value of gross private domestic investment was less than that of government consumption expenditures and gross investment.
   C. The net export of goods and services had a less negative effect on GDP in 2010 than in 2011.
   D. The value of government consumption expenditures and gross investment stayed about the same each year.

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