

**CHAPTER
6**

Economic Activity

Part 1: Content Review

Matching

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

- _____ 1. Market value of all final products produced in a country during a specific time period.
- _____ 2. Financial well-being of the average person in a country.
- _____ 3. General rise in prices throughout the economy.
- _____ 4. Calculated as the rate of change in prices over a period of time, usually monthly or yearly, and expressed as a percent.
- _____ 5. Measure of the average change in the prices paid by consumers for typical consumer goods and services over time.
- _____ 6. Consists of alternating periods of expansion and contraction in the economy.
- _____ 7. Tax spending decisions made by the president and Congress.
- _____ 8. Highest point in a business cycle.
- _____ 9. Something that affects people not directly connected to an economic activity.
- _____ 10. Economic contraction that is very severe and long lasting.

Terms

- A. business cycle
- B. consumer price index (CPI)
- C. depression
- D. externality
- E. fiscal policy
- F. gross domestic product (GDP)
- G. inflation
- H. inflation rate
- I. peak
- J. standard of living

Completion

Fill in the blanks with the term that best completes each sentence.

Terms

- | | | |
|-------------------|----------------------|-------------------|
| expansion | nonprice competition | stock market |
| labor force | recession | trough |
| lagging indicator | specialization | unemployment rate |
| monetary policy | | |

- 1. The _____ is the percentage of the civilian labor force that is unemployed.
- 2. The _____ is all people who are capable of working and who want to work.
- 3. A system and marketplace for buying and selling stocks is the _____.
- 4. _____ is a way other than price to win business.
- 5. Focusing on the production of specific goods so more products can be produced with the same amount of labor is _____.

6. A period of great decline in total output, employment, trade, and income is a(n) _____.
7. A(n) _____ changes after a change in economic activity.
8. A period when GDP is rising is _____.
9. _____ is regulating the money supply and interest rates by a central bank.
10. The _____ is the lowest stage of a business cycle that marks the end of a recession.

True or False

Decide whether each statement is true or false. If the statement is true, write *True* on the line provided. If the statement is false, write *False* and rewrite the statement to make it true.

1. The interest rate on a loan is not determined by the forces of supply and demand.

2. The total labor force includes civilian workers as well as those who are in the military.

3. Even when the economy is considered to be at full employment, the unemployment rate is still about four percent.

4. Trying to produce all the products to meet all the needs of every consumer is always efficient and profitable.

5. When the value of the stock market increases, it indicates the value of businesses are rising.

6. A free-enterprise system does not need governmental involvement to function efficiently.

7. When the demand for goods and services grows faster than the supply, inflation can decrease.

8. The main motives in a market economy are money and profit.

Name _____

9. Public education is an example of a public service provided by the government.

10. Controlling emissions from a factory is an economic activity.

Part 2: Concept Review

Demand During Expansion and Recession

During economic expansion, the economy grows. Demand for certain goods and services increases. During a recession, the economy slows, but demand for certain types of goods and services will increase. Following is a list of five products. For each product listed, determine whether the product may be an indicator of economic *expansion* or *recession*. Then, using complete sentences, provide reasoning to support your answer.

1. Résumé writing workshop

2. Plug-in hybrid vehicle

3. All-inclusive seven-day resort package

4. Casual-dining restaurants

5. Netflix

Nonprice Competition

The government provides services that are available to everyone in the economy. Yet, many businesses manage to compete successfully with these government-provided services using a nonprice competition strategy. Following is a list of five services provided by the government. For each of the products listed, use complete sentences to describe the ways in which nonprice competition might be used to compete for customers.

1. Postal service, including packages

2. Public education

3. Recreational spaces, such as parks and basketball courts

4. Health-care services

Name _____

5. Policing

Governmental Influences on the Economy

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

Section A

Market forces can directly affect an economy, and there is still ongoing pressure for the government to be involved in the economy. In the questions that follow, two market weaknesses are listed. For each weakness, identify the reason the market weakness exists. Then, provide an example of what the government could do to counteract that weakness.

1. Market weakness: need for quick profits.

A. Reason: _____

B. What can the government do to counteract this weakness?

2. Market weakness: no safety net in poor economic times.

A. Reason: _____

B. What can the government do to counteract this weakness?

Section B

Read the narrative that follows. Then, using complete sentences, answer the following questions.

In colonial America, fire was a major hazard. People fought fires on their own or relied on their neighbors for help. In 1736, Benjamin Franklin organized the first group of volunteer firefighters in Philadelphia. Today, some communities still rely on volunteer firefighters while other communities have fire-protection services supported by local and state governments.

1. Why do you think some communities still rely on volunteer firefighters?

2. What are the advantages of a local government supporting firefighting?

3. What type of firefighting service is available in your community, governmental or volunteer?

Part 3: Marketing Math

Billions and Trillions

National economies and large corporations deal with huge sums of money—amounts in the billions and trillions. Reading these numbers accurately is important.

Place Value Chart																			
Trillions Group				Billions Group				Millions Group				Thousands Group				Units Group			Decimal
4	2	7	,	1	0	6	,	9	5	2	,	0	0	0	,	0	0	0	.

To figure out which place group a number is in, start counting places from the decimal point and move left. The three places to the left of the decimal are the units group. Places 4 through 6 are the thousands group. Places 7 through 9 are the millions group. Places 10 through 12 are the billions group. Places 13 through 15 are the trillions group.

Have you heard someone say, “Pat is earning over seven figures”? How much is this person earning? “Seven figures” refers to the seven places in the place value chart. The person is earning over a million dollars. Someone else is earning in the high six figures. How much is this person earning? Over \$500,000 (five hundred thousand dollars).

Each place-value group is read as a three-digit number, and then the name of the group is added. Remember the role of zero as a placeholder. The number in the chart above, 427,106,952,000,000, is read as follows:

four hundred twenty-seven trillion, one hundred six billion, nine hundred fifty-two million

Name _____

The US Census Bureau published the annual estimated sales for US Retail and Food Services Firms by Kind of Business in the year 2015 as shown in the following chart. Convert the numbers in the second column to their full numbers, and place those numbers into the third column. The first category, Retail and food services sales, is completed for you as an example.

Category	2015 Annual Sales in Millions of Dollars	Converted 2015 Annual Sales
Retail and food services sales, total	5,350,508	5,350,508,000,000
1. Motor vehicle and parts dealers	1,095,412	
2. Furniture and home furnishings stores	106,779	
3. Electronics and appliance stores	102,108	
4. Building materials and garden equipment and supplies dealers	331,644	
5. Food and beverage stores	685,568	
6. Health and personal care stores	315,257	
7. Gasoline stations	443,817	
8. Clothing and clothing accessories stores	255,831	
9. Sporting goods, hobby, book, and music stores	87,355	
10. General merchandise stores	674,928	

Write the numbers from the third column into the place value chart that follows.

Place Value Chart for Estimated Sales in Dollars																			
	Trillions Group			,	Billions Group			,	Millions Group			,	Thousands Group			,	Units Group		
			5	,	3	5	0	,	5	0	0	,	0	0	0	,	0	0	0
1.																			
2.																			
3.																			
4.																			
5.																			
6.																			
7.																			
8.																			
9.																			
10.																			

Calculations

Can you imagine how big a trillion is? Here is an exercise to help you imagine it. Suppose someone gives you \$500 a day until you have a total of \$10,000. How many days would it take? The answer is 20 days.

To arrive at this answer, you know the total amount received is \$10,000. You also know that you will be given \$500 a day. To find out how many days it would take to get \$10,000, divide the total amount received (\$10,000) by the daily amount received (\$500)—or $10,000 \div 500 = 20$. Therefore, it would take you 20 days, or nearly three weeks, to accumulate \$10,000. Use the information in this paragraph to answer the following questions. You may use a calculator. Along with the correct answers, show your work.

1. How many days would it take to accumulate \$100,000?

2. How many months is this?

3. How many days would it take to accumulate \$1 million?

4. How many months would it take to accumulate \$1 million?

5. How many years is this?

6. How many days would it take to accumulate \$1 billion?

7. How many months would it take to accumulate \$1 billion?

8. How many years is this?

9. How many days would it take to accumulate \$1 trillion?

10. How many years is this?

III. Summary:

4. Media to be used (digital slide show, video, etc.):

Reflection of Presentation

5. Group to which I presented: _____

6. Date and location of presentation: _____

7. Summary:

8. What did I do well?

9. What could I improve?

10. How might this experience improve my leadership abilities?
