

# **CHAPTER 3** Economic Activity in a Changing World

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## **Key Concepts: Multiple Choice**

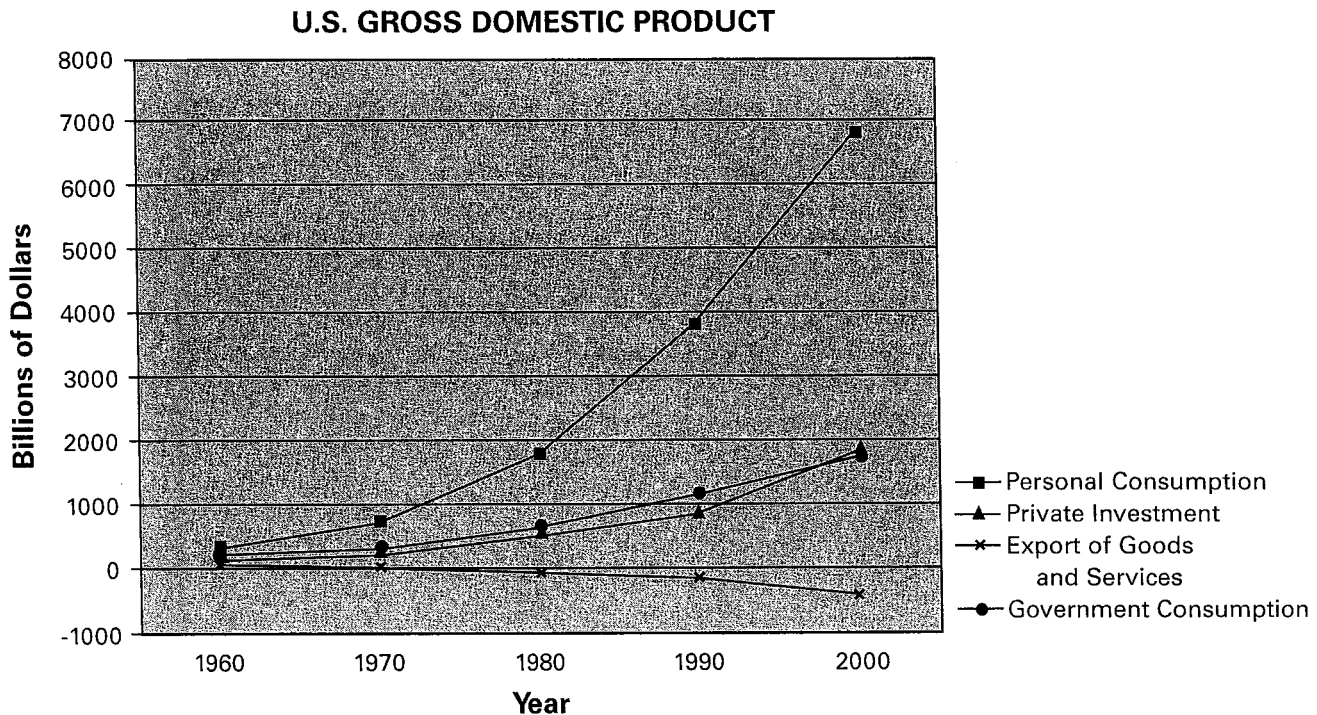
*DIRECTIONS: Circle the letter for the word or phrase that best completes each sentence.*

1. The \_\_\_\_\_ was a record period of prosperity in the United States.
  - a. 1930s
  - b. 1940s
  - c. 1970s
  - d. 1990s
  
2. The total value of goods and services produced in a country in a given year is called its \_\_\_\_\_.
  - a. gross domestic product
  - b. standard of living
  - c. budget surplus
  - d. budget deficit
  
3. The national debt is the total amount of money the government \_\_\_\_\_.
  - a. spends
  - b. borrows
  - c. lends
  - d. owes
  
4. The four stages of the business cycle are \_\_\_\_\_.
  - a. recession, inflation, deflation, and recovery
  - b. peak, recession, depression, and recovery
  - c. deficit, recession, depression, and surplus
  - d. surplus, recession, depression, and recovery
  
5. When a recession spreads from one industry to other industries it's called \_\_\_\_\_.
  - a. the domino theory
  - b. the Great Depression
  - c. the ripple effect
  - d. hyperinflation

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## Analytical Skills: Gross Domestic Product

**DIRECTIONS:** The graph below shows the United States' gross domestic product over a forty-year period divided into four major categories. All values are represented in billions of dollars.



1. Which categories increased between 1960 and 2000?

\_\_\_\_\_

2. Which category increased the most over this period?

\_\_\_\_\_

3. By about how much, in billions of dollars, did personal consumption increase between 1980 and 1990?

\_\_\_\_\_

4. Exports of goods and services dropped below zero beginning around 1980. What do you think this means?

\_\_\_\_\_

5. By approximately how much did the total gross domestic product increase, in billions of dollars, during each decade (total all categories)?

1960–1970: \_\_\_\_\_

1970–1980: \_\_\_\_\_

1980–1990: \_\_\_\_\_

1990–1999: \_\_\_\_\_

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## Reading Skills: The Great Depression

**DIRECTIONS:** *The article below describes the Great Depression, the biggest economic disaster to hit the United States during the twentieth century. Read the article and answer the questions that follow.*

The economy had been in depression for months before Thursday, October 24, 1929. Nevertheless, this date has come to mark not only the day panicked traders exchanged 12,894,650 shares of stock on the New York Stock Exchange, it's the commonly accepted date that ten years of economic distress known as the Great Depression began.

By 1932, stock prices were only about 20 percent of what their value was just three years earlier. By 1933, 44 percent of the nation's banks were out of business. Only 14,000 remained. Between 12 and 15 million workers were unemployed during this time. One out of every four Americans struggled to find work.

This state of affairs was, at least in part, the result of an unchecked weakness in the fiscal practices of that time. Stock market speculation ran rampant, driving stock prices unrealistically high. Holding companies and investment trusts created a vast amount of debt. Banks were loaning funds that could not be liquidated or quickly recouped. It was only during the Great Depression that the government began to carefully regulate and attempt to ensure economic stability in the United States.

1. On which date were 12,894,650 shares of stock traded on the New York Stock Exchange?

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2. What percentage of U.S. banks went out of business by 1933?

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3. Using information in the text, figure out the number of banks in the United States before the Great Depression.

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4. What did rampant stock market speculation do to bring the nation closer to depression?

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5. What was the problem with some of the loans that banks were making?

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6. When did the government begin carefully regulating the nation's economy?

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## Computer Skills: Gross National Debt

**DIRECTIONS:** A large portion of the United States budget goes to paying off the national debt. The government spends about 15 percent of its annual budget paying off just the interest on the debt. That's almost as much as it spends on defense. To get an idea of how much the national debt has increased since 1950, create a line graph using the information in the table below.

GROSS NATIONAL DEBT (IN MILLIONS OF DOLLARS)	
Year	National Debt
1950	\$256,853
1960	\$290,525
1970	\$380,921
1980	\$909,050
1990	\$3,206,564
2000	\$5,711,380

Source: U.S. Government Printing Office

1. Start a program, such as Excel.
2. Enter data from the above table into a spreadsheet.
3. Using the Chart Wizard feature (for Excel), convert the data into a line graph. Assign the dollar amounts to the x-axis and the years to the y-axis.
4. After completing your graph, save your work to a new file.
5. Print out a copy of your work if your teacher has instructed you to do so.