Vocabulary Activity

Government and the Economy

Content Vocabulary

1. **Directions:** Use this graphic organizer to explain what gross domestic product (or GDP), real GDP, and GDP per capita are. Use the words **gross domestic product (GDP), real GDP,** and **GDP per capita** in your answers.

Gross Domestic Product (GDP)	Real GDP	GDP per capita

2. **Directions:** Use this graphic organizer to describe the differences among the three types of budgets. Use the words **balanced budget, budget deficit,** and **budget surplus** in your answers.

Type of Budget	Description
Balanced budget	
Budget deficit	
Budget surplus	

Vocabulary Activity *(continued)*

Government and the Economy

DIRECTIONS: Read the following sentences. If the statement is true, write *T* in the first blank. If the sentence is false, write *F*, and then explain in the space provided why the statement is false. Include the vocabulary word(s) in parentheses in your explanation.

_____ **3.** A product is anything that is produced; it can be a good or a service. **(product)**

_____ **4.** A depression is a period of declining economic activity lasting about six or more months. **(depression)**

_____ **5.** The unemployment rate is the percentage of people in the civilian labor force who are not looking for jobs. **(unemployment rate)**

_____ **6.** The term *business cycle* describes alternating periods of real economic decline and growth. **(business cycle)**

_____ **7.** A central bank is a bankers' bank that lends money to other banks in difficult times. **(central bank)**

_____ **8.** A sales tax is tax paid by employees on their earnings. **(sales tax)**

_____ **9.** For someone on a fixed income, a period of deflation would cause more problems than a period of inflation. **(fixed income**, **deflation**, **inflation)**

DIRECTIONS: In the space provided before each word in the left column, write the letter of the correct definition.

_____ **10.   recession**

_____ **11.   discount rate**

_____ **12.   fiscal year**

_____ **13.   monetary policy**

_____ **14.   revenue**

_____ **15.   property tax**

_____ **16.   federal debt**

_____ **17.   appropriations bill**

_____ **18.   intergovernmental revenue**

a. Fed's management of the money supply to affect the cost and availability of credit

b. tax on the value of land and property that people own

c. interest rate the Fed charges on its loans to financial institutions

d. funds that one level of government receives from another level of government

e. money a government collects to fund its spending

f. money the government has borrowed and not yet paid back

g. any 12-month period chosen for keeping accounts

h. legislation that sets spending on particular programs for the coming year

i. period of declining economic activity lasting about six or more months

Vocabulary Activity *(continued)*

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DIRECTIONS: Read the following sentences. If the **bold** term is used correctly in the sentence, write *C* in the first blank. If the term is used incorrectly, write *I*, and then explain in the space provided why the term is not used correctly. Include the boldfaced vocabulary term in your explanation.

_____ **19.** An **entitlement program** is a government program that makes payments to people who meet certain requirements, to help them fulfill minimum health, nutrition, and income needs.

_____ **20.** The term **standard of living** describes the material well-being of an individual or a nation as measured by how well needs and wants are satisfied.

_____ **21.** **Reserve requirement** refers to the Fed's purchase or sale of U.S. government securities—bond notes and Treasury bills.

_____ **22.** To **subsidize** means to deny aid or support to a person, business, institution, or undertaking using money or tax breaks.

_____ **23.** **Infrastructure** includes highways, levees, bridges, power, water, sewage services, and other public goods needed to support a growing economy.

DIRECTIONS: Read the following sentences and respond in the space provided.

24. Explain the difference between **mandatory spending** and **discretionary spending**.

25. Explain how **bear markets** and **bull markets** are related.

26. Explain the purpose of the **Federal Open Market Committee (FOMC)** and **open market operations (OMO)**.

27. Explain what an **automatic stabilizer** is and what it does.

28. Explain **fiscal policy**. Give an example.

Vocabulary Activity *(continued)*
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Academic Vocabulary

DIRECTIONS: From the vocabulary list, choose the best word to answer each question.

aggregate, distortion, confirmed, transmit, offset

29. Which word means to *counterbalance?*

30. Which term is another word for *approved?*

31. Which word describes a misleading impression?

32. Which word refers to a total?

33. Which word indicates sending something?