

Chapter 16 Test

Key Terms

From the box below, choose the term that matches each definition. Write the letter of the answer in the space provided.

a. surplus	c. monopoly	e. monetary policy	g. trust
b. inflation	d. business cycle	f. deficit	h. federal budget

- ___ 1. companies that benefit from the high prices they all agree to charge
- ___ 2. a repeated series of economic “ups” and “downs”
- ___ 3. a general rise in the price level of goods and services
- ___ 4. the amount by which government income is greater than spending
- ___ 5. the amount by which government spending is greater than income
- ___ 6. regulation of money supply by the Federal Reserve System
- ___ 7. a single business with the power to control prices
- ___ 8. government plan for raising and spending money

Main Ideas

Write the letter of the correct answer in the space provided.

- ___ 9. The Framers of the Constitution believed citizens have a basic right to
- | | |
|-----------------------------|------------------------------------|
| a. a smooth business cycle. | c. a balanced federal budget. |
| b. their economic freedom. | d. surplus in government spending. |
- ___ 10. Which is *not* an economic problem Americans wanted government to solve?
- | | |
|------------------------------|-----------------------------------|
| a. damaged environments | c. an unstable economy |
| b. unsafe working conditions | d. protection of private property |
- ___ 11. Which is a method governments use to correct economic problems?
- | | |
|----------------------------|-----------------------------------|
| a. set up a postal service | c. run businesses for common good |
| b. build highways | d. all of the above |
- ___ 12. Government decisions about the money it spends and collects are called its
- | | |
|---------------------|-------------|
| a. fiscal policy. | c. deficit. |
| b. monetary policy. | d. surplus. |
- ___ 13. What is one way the government protects workers and consumers?
- | | |
|----------------------------|-----------------------|
| a. regulates meat products | c. sets minimum wages |
| b. sets safety standards | d. tests new drugs |
- ___ 14. The government attempts to give citizens economic security through
- | | |
|---------------------------------|--------------------------------|
| a. FDA tests and approvals. | c. public assistance programs. |
| b. public utilities monopolies. | d. the CPSC. |

- ____ 15. How does the government monitor the nation's economic health?
 - a. tariffs
 - b. monetary policy
 - c. fiscal policy
 - d. gross domestic product (GDP)
- ____ 16. Federal spending funds
 - a. benefit payments.
 - b. interest on the national debt.
 - c. national defense.
 - d. all of the above
- ____ 17. What part of most people's income do federal taxes take?
 - a. 25 percent or more
 - b. less than 25 percent
 - c. 50 percent or more
 - d. about 10 percent

Critical Thinking

Answer each of the following questions on the lines provided. Write your answers in complete sentences.

- 18. **Summarize** Explain the main ways the government works to ensure fair business practices.

- 19. **Support a point of view** Take a position on how a large national debt affects the government's ability to provide programs and manage the economy. Support your point of view with details.

- 20. **Solve a problem** Make a proposal that offers a solution for reducing or eliminating the national debt. Support your idea with details.
