ECONOMIC VOCABULARY — ANSWER KEY

Directions: Fill in the blank with the word that matches the definition given.

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<th>Gross Domestic Product</th>
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1. Economic Recession: Decrease in GDP over a time period, generally at least one quarter of a year.
2. Fiscal Policy: Spending and taxing policies of the federal government to influence the economy.
3. Monetary Policy: Central bank actions to achieve such goals as maximum employment and stable prices.
4. Consumer Confidence: A measure of how consumers feel about the economy, considered an indicator of consumers’ future spending and saving decisions.
5. Stagflation: The condition of relatively high inflation and relatively high unemployment occurring simultaneously.
7. Gross Domestic Product: The total market value, expressed in dollars, of all final goods and services produced in an economy in a given year.
8. Inflation: A general, sustained upward movement of prices for goods and services in an economy.
9. Economic Expansion: Growth in GDP over a time period, generally at least one quarter of a year.

Directions: Give an example of each of the concepts explained below. All of the items below have more than one possible answer.

1. Trade Agreement: A formal framework among nations to collectively pursue increased trade.
   Example: NAFTA
   Example: Oil
3. Financial Contagion: An economic crisis that spreads from one region to another. This can occur on an international or domestic level.
   Example: The sub-prime mortgage meltdown of 2008–2010
4. Central Bank: An institution that oversees and regulates the banking system and quantity of money in the economy.
   Example: The Federal Reserve
5. Oil Cartel: More than one oil-exporting nation working together to impact the price of oil through artificial production limits.
   Example: OPEC
6. Trade Barrier — Government Imposed: Any action that a government takes to make trade more difficult.
   Example: Trade tariffs on the import of items from another country
Directions: Fill in the blank with the phrase that fits the example.

- **Artificial Intelligence**: Advanced computer systems that mimic human intelligence in visual acuity, processing ability, speech recognition, or other activity historically performed only by humankind.
- **Consumer Product Substitute**: A substitute good that is similar enough to consumers’ originally desired good that the consumer will purchase the substitute item rather than the original good.
- **Cybersecurity**: The framework, including tools, of protecting against the criminal or otherwise unauthorized use of electronic data.
- **“Irrational Exuberance”**: A phrase made popular by then-Federal Reserve Chairman Alan Greenspan to express concern over internet stock valuations; this phrase is now extended to market activities that seem out-of-balance with market fundamentals or intended regulatory consequences.
- **Political Turmoil**: Incongruity or uncertainty from governmental messages or actions that negatively impact economic growth.
- **Wealth Effect**: The effect on consumer spending resulting from a change in the purchasing power of the consumers’ assets that is caused by inflation.

1. The 1990s dot-com bubble: **“Irrational Exuberance”**

2. Face detection and recognition technology: **Artificial Intelligence**

3. When the assessed value of a person’s home increases, or a stock they own goes up in price, and they decide to buy a more expensive home: **Wealth Effect**

4. Encryption and network security: **Cybersecurity**

5. Deciding to ride a bike when the price of a bus pass increases: **Consumer Product Substitutes**

6. Brexit negotiation challenges: **Political Turmoil**