Pre- and Post-Test for The Great Depression Curriculum

1. Deflation occurs when:
   a. there is a sustained increase in the price of gasoline.
   b. there is a sustained decrease in the price of gasoline.
   c. there is a sustained increase in the overall price of goods and services.
   d. there is a sustained decrease in the overall price of goods and services.
   e. a and c only

2. Inflation occurs when:
   a. there is a sustained increase in the price of gasoline.
   b. there is a sustained decrease in the price of gasoline.
   c. there is a sustained increase in the overall price of goods and services.
   d. there is a sustained decrease in the overall price of goods and services.
   e. a and c only

3. From 1929 to 1933:
   a. the unemployment rate was increasing.
   b. the economy was experiencing inflation.
   c. Gross Domestic Product (GDP) was decreasing.
   d. the Consumer Price Index (CPI) was increasing.
   e. a and c only

4. How did the stock market crash, the closing of the Ford Model T plant and the collapse of the farming industry contribute to the economic collapse known as the Great Depression?
   a. These increased unemployment and output.
   b. These increased unemployment and prices.
   c. These destroyed jobs, wealth and people's confidence in the economy.
   d. a and b only
   e. a and c only

5. Some suggest that the Smoot-Hawley tariff and protectionist trade policies were the cause of the Great Depression. Which of the following statements is true?
   a. A tariff is a tax on an imported good.
   b. Tariffs lead to a decrease in international trade.
   c. Tariffs lower the price of imported goods relative to the price of domestic goods.
   d. a and b only
   e. a and c only
6. Which of the following statements is true?
   a. A shrinking money stock causes deflation.
   b. A shrinking money stock may lead to a lower unemployment rate.
   c. A shrinking money stock means that people and businesses borrow more from banks.
   d. a and c only
   e. b and c only

7. How did bank panics contribute to the collapse of the nation’s banking system during the Great Depression?
   a. They caused the money stock to decrease.
   b. They caused additional bank failures and lack of confidence in the banking system.
   c. They caused businesses to borrow greater amounts of money than they otherwise would have borrowed.
   d. a and b only
   e. b and c only

8. Which of the following were included in President Roosevelt's plans to address the economic problems of the Great Depression?
   a. Impose a bank holiday.
   b. Pass banking legislation.
   c. Decrease government spending in order to balance the budget.
   d. a and b only
   e. b and c only

9. What was the impact of government spending during President Roosevelt's administration?
   a. Deficits contributed to national debt.
   b. The federal government increased its role in the U.S. economy.
   c. A decrease in government spending helped balance the federal budget.
   d. a and b only
   e. b and c only

10. The purpose of New Deal programs was to provide:
    a. immediate relief for citizens.
    b. tax increases to recover additional government spending.
    c. reform to prevent such economic problems from occurring in the future.
    d. all of the above
    e. a and c only
11. Technology that assisted President Roosevelt in conveying messages that restored citizens’ confidence in the U.S. economy included:
   a. radio.
   b. computers.
   c. television.
   d. MP3 players.
   e. Internet blogs.

12. What is the Federal Reserve System?
   a. the nation’s central bank
   b. the U.S. Department of Banking
   c. U.S. Department of the Treasury, Banking Division
   d. the legal requirement that interest must be paid on loans.
   e. the only national bank in the United States, located in Washington, D.C.

13. Which of the following is a function of the Federal Reserve?
   a. makes monetary policy
   b. prints currency and mints coin
   c. regulates and supervises banks
   d. all of the above
   e. a and c only

14. Which of the following statements regarding deflation is true?
   a. It causes people to postpone purchases.
   b. It robs the purchasing power of people’s savings.
   c. It causes a decline in prices and demand for goods and services.
   d. a and b only
   e. a and c only

15. By studying the Great Depression, economists have come to understand:
   a. the importance of money, credit, and a safe and sound financial system.
   b. the need to maintain a balanced budget regardless of economic conditions.
   c. the importance of the government’s responsibility to set prices for goods and services during periods of inflation or deflation.
   d. a and b only
   e. b and c only
16. Monetary policy refers to:
   a. spending and taxation decisions of the federal government to influence the economy.
   b. actions of the Federal Reserve to influence the amount of money and credit in the economy.
   c. actions of the Bureau of Engraving and Printing and the Mint to print currency and mint coins.
   d. a and b only
   e. b and c only

17. The unemployment rate represents:
   a. the percentage of the labor force that is unemployed or works only part-time.
   b. the number of people 18 years of age or older who are eligible to work, but don’t have jobs.
   c. the number of people out of every 100 who are eligible for unemployment compensation.
   d. the percentage of the labor force that is 16 years of age or older, does not currently have a job and is actively looking for employment.
   e. a and c only

18. Real gross domestic product is:
   a. the market value of all final goods and services produced within a country in a year.
   b. the market value of all intermediate goods and services produced within a country in a year.
   c. the market value of all final goods and services produced within a country in a year, adjusted for inflation.
   d. the market value of all final goods and services produced within a country in a year, adjusted for exports.
   e. the market value of all intermediate goods and services produced within a country in a year, adjusted for inflation.

19. A bank panic occurs when:
   a. a bank’s assets exceed the value of its liabilities.
   b. many depositors rush to the bank to withdraw their money at the same time.
   c. depositors recognize that they do not have as much money in their accounts as they anticipated.
   d. a and c only
   e. b and c only
20. The Federal Reserve System was:
   a. established in 1913 as the nation's central bank.
   b. established in 1939 to prevent future depressions.
   c. not responsible for monetary policy during the Great Depression.
   d. a and c only
   e. b and c only

21. With both deflation and inflation:
   a. people buy today rather than wait.
   b. people wait to buy until tomorrow.
   c. people and businesses have reduced purchasing power.
   d. people and businesses have difficulty planning for the future.
   e. a and c only

22. A depression is a:
   a. mild recession.
   b. sustained decline in the overall price level of goods and services in the economy.
   c. sustained increase in the overall price level of goods and services in the economy.
   d. measure of the market value of all final goods and services produced in an economy during a year.
   e. severe period of declining real output across sectors of the economy and regions of the country.

23. The money supply is the amount:
   a. of gold in Fort Knox.
   b. the federal government has to spend each year.
   c. of currency printed each year by the Bureau of Engraving and Printing.
   d. of currency, coins and checking account deposits available in an economy.
   e. a and d only

24. The national debt is the:
   a. annual deficit.
   b. amount loaned to banks by the Federal Reserve System.
   c. difference between the amount of goods exported and the amount imported.
   d. the financial obligations of the federal government resulting from deficit spending.
   e. the sum of all money owed by individuals and businesses in the United States to other countries.
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Refer to the graph below to answer questions 25 and 26.

Consumer Price Index, 1919-2006

25. During which year did the economy experience the worst inflation?
   a. 1921  
b. 1932  
c. 1942  
d. 1946  
e. 1949

26. During which year did the economy experience the worst deflation?
   a. 1921  
b. 1932  
c. 1942  
d. 1946  
e. 1979
Refer to the graph below to answer question 27.

27. During which year did the economy experience the highest rate of unemployment?

a. 1929
b. 1930
c. 1931
d. 1932
e. 1933
Refer to the table below to answer questions 28-30.

### U.S. STATISTICAL DATA

#### 1929 - 1933

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Bank Suspensions</th>
<th>Unemployment Rate</th>
<th>Per Capita Personal Income</th>
<th>Real GDP (in millions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1929</td>
<td>659</td>
<td>3.2%</td>
<td>$698</td>
<td>$951.7</td>
</tr>
<tr>
<td>1930</td>
<td>1352</td>
<td>8.9%</td>
<td>$619</td>
<td>$862.1</td>
</tr>
<tr>
<td>1931</td>
<td>2294</td>
<td>16.3%</td>
<td>$526</td>
<td>$788.8</td>
</tr>
<tr>
<td>1932</td>
<td>1456</td>
<td>24.1%</td>
<td>$399</td>
<td>$682.9</td>
</tr>
<tr>
<td>1933</td>
<td>4004</td>
<td>25.2%</td>
<td>$372</td>
<td>$668.6</td>
</tr>
</tbody>
</table>

28. In which year from 1929 to 1933 were bank suspensions the greatest?
   a. 1929  
   b. 1930  
   c. 1931  
   d. 1932  
   e. 1933

29. How much did per capita income decrease from 1929 to 1933?
   a. $1,071  
   b. $326  
   c. $125  
   d. $79  
   e. $27

30. Between which two years was there the greatest decrease in real GDP?
   a. between 1929 and 1930  
   b. between 1930 and 1931  
   c. between 1931 and 1932  
   d. between 1932 and 1933  
   e. between 1933 and 1934
31. Open market operations are:
   a. conducted by the Federal Reserve to manage the money supply.
   b. tariffs enacted by the U.S. government to discourage imports.
   c. interest rate policies of banks to make a profit on loans.
   d. Congressional policies to promote employment.
   e. implemented by national banks in order to make loans.

32. What body makes monetary policy decisions for the United States?
   a. the United States Congress
   b. the Federal Reserve System
   c. the judicial branch of the government
   d. the executive branch of the government
   e. the President’s Council of Economic Advisers

33. The purpose of Roosevelt’s New Deal legislation was:
   a. to provide relief programs to help immediately.
   b. to provide recovery programs to help rebuild.
   c. to provide reform programs to prevent the disaster from reoccurring.
   d. all of the above
   e. a and c only