E Read the following passage, and answer the questions.

The Flow of Activity in the U.S. Economy

Time Limit: 2 min. 50 sec.

The United States has the largest economy in the world. But since the early 1980s, the United States has changed. It once was the world's largest creditor, but now it has a substantial current account deficit. It has also taken on a large national debt. The national debt is now about 64% of the current GDP and is the highest since the 1950s.

The federal government guides the economic pace to maintain steady growth. Not only does it attempt to maintain steady growth, but it also works for high employment and price stability. Adjusting spending and taxes can slow down or speed up economic growth. Managing the money supply and controlling credit can also affect this rate. This process also affects the level of prices and employment.

In the past, the Great Depression of the 1930s had a great effect on the U.S. economy. Periods of slow economic growth and high unemployment were seen as the greatest economic threats. The danger of recession was serious. The government tried to make the economy stronger by spending more money. It also cut taxes so that consumers would spend more. It fostered rapid growth in the money supply.

Also, in the 1970s there were major price increases, particularly for energy. This created a strong fear of inflation, which led to an overall increase in the level of prices. As a result, government leaders began to focus more on holding back inflation.

Many changes took place between the 1960s and the 1990s. In the 1960s, the government had faith in fiscal policy. The president and the U.S. Congress played a large role in directing the economy. But periods of high inflation and joblessness weakened the public's faith in them. The overall slow pace also damaged their image. Now, monetary policy is used to control the flow of economic activity. This policy is directed by the nation's central bank, known as the Federal Reserve Board (FRB). It has much independence from the president and Congress.

General Comprehension

1. **According to paragraph 3, all of the following are true of the Great Depression EXCEPT:**

   (A) It did not have a very strong impact on the U.S. economy.
   (B) It was marked by slow economic growth and high unemployment.
   (C) It was considered a serious danger to the economy by the government.
   (D) The government spent more money trying to strengthen the economy.

2. **According to the passage, loss of public faith in the president and Congress was caused by**

   (A) the Federal Reserve Board
   (B) high inflation and unemployment
   (C) monetary policy
   (D) high employment and price stability

- **creditor (n)** one who extends credit, usually by loaning money
- **substantial (a)** considerable; ample
- **deficit (n)** a situation in which more money is spent than made
- **adjust (v)** to change; to become accustomed to; to adapt
- **foster (v)** to promote; to encourage
- **inflation (n)** a period that marks a rise in prices

On the TOEFL Test

3. **Which of the following best expresses the essential information in the highlighted sentence? *Incorrect* answer choices change the meaning in important ways or leave out essential information.**

Not only does it attempt to maintain steady growth, but it also works for high employment and price stability.

- (A) The federal government keeps growth steady but cannot maintain high employment and stable prices.
- (B) Because it needs high employment and stable prices, the federal government needs steady growth.
- (C) Without constant growth, the federal government cannot have high employment and stable prices.
- (D) The federal government tries to achieve growth, high employment, and unchanging prices.

4. **Which of the following best expresses the essential information in the highlighted sentence? *Incorrect* answer choices change the meaning in important ways or leave out essential information.**

This created a strong fear of inflation, which led to an overall increase in the level of prices.

- (A) Worries about inflation caused by increasing energy prices raised overall prices.
- (B) The high increase in prices caused a strong fear of inflation of energy prices.
- (C) People were afraid of inflation and also worried about increasing prices of energy.
- (D) The overall increase in prices caused inflation in fuel and energy prices.

Managing the U.S. Economy

(1)____________________:
- Government changed spending and tax rates
- Government controlled the level prices and employment

(2)__________:
- Money supply and credit managed by the FRB
- Independent of the president and Congress