

Answer the questions in short answer format. 20 points each.

1. What is inflation? How is it calculated? Is every price increase considered inflation?
2. What is GDP? What are the components (C,G,I,X<sub>n</sub>)? Which component is the largest contributor to GDP? Which is the smallest (or negative) contributor to GDP?
3. What is a recession? In the United States, who determines a recession?
4. What happens to GDP in a recession? Why?
5. What can the United States Congress/President do to stop and rescue the nation from a recession? List and briefly explain 3 (Hint: look up *fiscal policy* and/or *monetary policy*)