

# ECONOMICS



# Objectives

# ECONOMICS

1. **Explain** why scarcity and choice are the basis of economics.
2. **Describe** what entrepreneurs do.
3. **Define** the three factors of production and the differences between physical and human capital.
4. **Explain** how scarcity affects the factors of production.



CHAPTER  
**1**  
SECTION 1

QUIZ A

Scarcity and the Factors of Production

3

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |                         |
|--|-------------------------|
| _____ 1. when consumers want more of an item than producers will offer at a particular price | <b>a. goods</b>         |
| _____ 2. the paid effort that a person devotes to a task                                     | <b>b. economics</b>     |
| _____ 3. physical objects such as baseballs or umbrellas                                     | <b>c. shortage</b>      |
| _____ 4. the study of how people make decisions to satisfy their needs and wants             | <b>d. labor</b>         |
| _____ 5. natural resources used to produce goods and services                                | <b>e. land</b>          |
| _____ 6. knowledge gained from education and experience                                      | <b>f. capital</b>       |
|  | <b>g. services</b>      |
|  | <b>h. human capital</b> |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. Which of the following is an example of using physical capital to save time and money?
- |                               |                                      |
|-------------------------------|--------------------------------------|
| <b>a. hiring more workers</b> | <b>c. switching from oil to coal</b> |
| <b>b. expanding a factory</b> | <b>d. lowering workers' wages</b>    |
- \_\_\_\_\_ 8. What is the difference between a shortage and a scarcity?
- |  |
|--|
| <b>a. A shortage can be temporary or long-term, but scarcity always exists.</b>        |
| <b>b. A shortage results from rising prices; scarcity results from falling prices.</b> |
| <b>c. A shortage is a lack of all goods and services; scarcity concerns one item.</b>  |
| <b>d. There is no real difference between a shortage and a scarcity.</b>               |
- \_\_\_\_\_ 9. Which of the following are factors of production?
- |                                  |  |
|----------------------------------|--|
| <b>a. capital and land</b>       | <b>c. technology and productivity</b>      |
| <b>b. scarcity and shortages</b> | <b>d. economics and business decisions</b> |
- \_\_\_\_\_ 10. Which of the following people is an entrepreneur?
- |  |
|--|
| <b>a. a person who creates a game and sells it to a game manufacturer</b>    |
| <b>b. a singer or dancer</b>   |
| <b>c. a person who runs a cleaning supplies business that employs others</b> |
| <b>d. a computer programmer</b>  |

# Objectives

# ECONOMICS

1. **Explain** why every decision involves trade-offs.
2. **Summarize** the concept of opportunity cost.
3. **Describe** how people make decisions by thinking at the margin.



**CHAPTER**  
**1**  
**SECTION 2**

**QUIZ A**

**Opportunity Cost**

**3**

**A. Key Terms and Concepts**

**Directions:** Complete each statement with the correct term from this section.

1. Giving up one benefit in order to gain a greater benefit is a(n) \_\_\_\_\_.
2. The most desirable alternative given up as a result of a decision is the \_\_\_\_\_.
3. The extra cost of adding one unit is the \_\_\_\_\_.
4. Deciding by thinking at the margin is called \_\_\_\_\_.
5. A(n) \_\_\_\_\_ is a visual way of examining opportunity costs.
6. The idea that a government must decide to produce more or less military or consumer goods is called \_\_\_\_\_.

**B. Main Ideas**

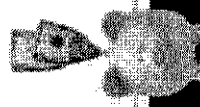
**Directions:** Write the letter of the correct answer in the blank provided.

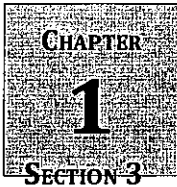
7. If you choose between two summer jobs, the one you do not choose is the \_\_\_\_\_ of your decision.
  - a. trade-off
  - b. opportunity cost
  - c. decision at the margin
  - d. opportunity at the margin
8. Making a decision at the margin is possible only in situations where \_\_\_\_\_
  - a. the available opportunity costs are unclear or complicated.
  - b. the available alternatives can be divided into increments.
  - c. there are more than three different types of alternatives to consider.
  - d. there are differences in the amount of time each alternative will consume.
9. Every decision involves trade-offs because \_\_\_\_\_
  - a. everyone has to make decisions.
  - b. everyone's resources are limited.
  - c. some people have more money than others.
  - d. some decisions are made for business, others for society.
10. A decision is made at the margin when each alternative considers \_\_\_\_\_
  - a. a different trade-off than the others.
  - b. where the most costly alternative will be.
  - c. what the "all or nothing" alternative will be.
  - d. cost and benefit ranked in progressive units.

# Objectives

# ECONOMICS

1. Interpret a production possibilities curve.
2. Explain how production possibilities curves show efficiency, growth, and cost.
3. Explain why a country's production possibilities depend on its resources and technology.





## QUIZ A

## Production Possibilities Curves

3

**A. Key Terms and Concepts**

**Directions:** Complete each statement with the correct term from this section.

1. An economy's use of fewer production resources than it would at maximum production is called \_\_\_\_\_.
2. The use of resources to maximize the output of goods and services is \_\_\_\_\_.
3. A graph that shows alternative ways to use an economy's productive resources is a \_\_\_\_\_.
4. A country's maximum possible output plotted on a graph is called the \_\_\_\_\_.
5. The curve usually seen in a production possibilities frontier can be explained by the \_\_\_\_\_.
6. An increase in an economy's labor force generally causes a \_\_\_\_\_ of the production possibilities curve.

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. A production possibilities curve shows the relationship between the production of
 

a. farm goods and factory goods.	c. two types of factory goods.
b. two types of farm goods.	d. any two categories of goods.
- \_\_\_\_\_ 8. The line on a production possibilities curve showing the relative amounts of two types of goods produced using all resources is called the
 

a. production possibilities frontier.	c. utilization of resources.
b. opportunity cost line.	d. maximum production line.
- \_\_\_\_\_ 9. The law of increasing costs means that as production shifts from one item to another,
 

a. the cost of production gets cheaper and cheaper.	c. more and more resources are necessary to produce the second item.
b. the cost of producing each item stays the same.	d. the land costs rise more steeply than do the labor costs.
- \_\_\_\_\_ 10. An economy producing the maximum amount of goods and services is
 

a. efficient.	c. growing.
b. underutilized.	d. trading off.



# Objectives

# ECONOMICS

1. **Identify** the three key economic questions that all societies must answer.
2. **Analyze** the societal values that determine how a country answers the three economic questions.
3. **Define** the characteristics of a traditional economy.



## A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |                        |
|--|------------------------|
| _____ 1. a system to protect people experiencing unfavorable economic conditions         | a. economic system     |
| _____ 2. the level of economic prosperity  | b. factor payments     |
| _____ 3. the income people receive for supplying factors of production                   | c. safety net          |
| _____ 4. an economy that relies on habit, custom, or ritual to answer economic questions | d. traditional economy |
| _____ 5. the method used by a society to produce and distribute goods and services       | e. standard of living  |
| _____ 6. the process of bringing new methods, products, or ideas into use                | f. profit              |
|  | g. innovation          |
|  | h. economic freedom    |

## B. Main Ideas

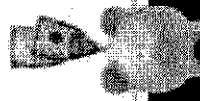
**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. Each society answers the three basic economic questions based on
- its unique combination of values and goals.
  - the number of factor payments.
  - its degree of economic growth.
  - the desire to achieve economic freedom.
- \_\_\_\_\_ 8. To improve its standard of living, a nation's economy must
- remain stable.
  - grow through innovation.
  - achieve economic equity.
  - allow the central government to make economic decisions.
- \_\_\_\_\_ 9. Traditional economies are usually
- small, close communities that welcome change and new technology.
  - large, widespread communities that welcome change and new technology.
  - large, widespread communities that are able to deal effectively with environmental disaster.
  - small, close communities that avoid change and new technology.
- \_\_\_\_\_ 10. The ways in which factors of production are combined determines the answer to which economic question?
- |                                |                                     |
|--------------------------------|-------------------------------------|
| a. What will be produced?      | c. Who will consume goods?          |
| b. How will goods be produced? | d. How can we provide a safety net? |

# Objectives

# ECONOMICS

1. Explain why markets exist.
2. Analyze a circular flow model of a free market economy.
3. Describe the self-regulating nature of the marketplace.
4. Identify the advantages of a free market economy.



CHAPTER  
2  
SECTION 2

QUIZ A  
The Free Market

3

**A. Key Terms and Concepts**

**Directions:** Complete each statement with the correct term from this section.

1. An individual's own personal gain is \_\_\_\_\_
2. An arrangement that allows buyers and sellers to exchange things is a(n) \_\_\_\_\_
3. The arena of exchange where firms purchase factors of production is called the \_\_\_\_\_
4. The hope of reward that encourages a person to behave in a certain way is a(n) \_\_\_\_\_
5. The fact that consumers have the power to decide what gets produced is called \_\_\_\_\_
6. The concentration of the productive efforts of businesses and individuals on a finite number of activities is called \_\_\_\_\_

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. Markets exist primarily because
  - a. firms need to make a profit.
  - b. we need to maintain a competitive society.
  - c. no one is self-sufficient.
  - d. people desire economic security.
- \_\_\_\_\_ 8. In a free market economy, who owns the factors of production?
 

a. individuals	c. firms
b. households	d. the market
- \_\_\_\_\_ 9. According to Adam Smith, what "invisible hand" regulates the free market economy?
 

a. government intervention	c. economic equity
b. specialization	d. competition and self-interest
- \_\_\_\_\_ 10. Free market economies are able to attain economic growth because
  - a. consumers are willing to pay higher prices.
  - b. competition encourages innovation.
  - c. the government provides incentives.
  - d. well-regulated markets keep economic conditions stable.

# Objectives

# ECONOMICS

1. Describe how a centrally planned economy is organized.
2. Distinguish between socialism and communism.
3. Analyze the use of central planning in the Soviet Union and China.
4. Identify the disadvantages of a centrally planned economy.



## A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                                     |
|---|-------------------------------------|
| _____ 1. requiring strict obedience to a state or leader                                      | <b>a. communism</b>                 |
| _____ 2. a political system in which the government owns all resources and production factors | <b>b. authoritarian</b>             |
| _____ 3. another name for a centrally planned economy   | <b>c. socialism</b>                 |
| _____ 4. a political system based on the belief that wealth should be evenly distributed      | <b>d. centrally planned economy</b> |
| _____ 5. an economy in which the government answers the key economic questions                | <b>e. command economy</b>           |
| _____ 6. a major goal of socialist economies  | <b>f. economic equity</b>           |
|   | <b>g. traditional economy</b>       |
|   | <b>h. capitalism</b>                |

## B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. A socialist society has a more flexible command economy than a communist society because
- some free market practices can combine with central economic planning.
  - the central government has all economic and political power.
  - an authoritarian government controls the economy.
  - the centers of economic power are all under private control.
- \_\_\_\_\_ 8. How did heavy industry in the Soviet Union avoid competition?
- The government determined prices, wages, and products.
  - The government used profit as an incentive to entrepreneurs.
  - Farms were not in direct competition with heavy industry.
  - The government banned the production of consumer goods.
- \_\_\_\_\_ 9. Why might the Soviet planners have favored heavy industry over the makers of consumer goods?
- The products of heavy industry brought in more money.
  - There were more people trained to work in heavy industry.
  - Consumer goods are not good economic investments.
  - The products of heavy industry provide material for many other industries.
- \_\_\_\_\_ 10. The economic system in China today is different from the one in Soviet Russia because the Chinese government
- owns firms in major industries.
  - allows more economic freedom.
  - is socialist, not communist.
  - is not authoritarian.

# Objectives

# ECONOMICS

- 1. Explain the rise of mixed economic systems.**
- 2. Interpret a circular flow model of a mixed economy.**
- 3. Compare the mixed economies of various nations along a continuum between centrally planned and free market systems.**
- 4. Describe the role of free enterprise in the United States economy.**



CHAPTER  
**2**  
SECTION 4

## QUIZ A

## Mixed Economies

3

### A. Key Terms and Concepts

**Directions:** Match the descriptions with the terms. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                                   |
|---|-----------------------------------|
| _____ 1. period of change in which an economy moves from one economic system to another       | <b>a. laissez faire</b>           |
| _____ 2. an economic system in which private individuals or corporations own capital goods    | <b>b. free enterprise system</b>  |
| _____ 3. the selling of state-run firms, which are then allowed to compete in the marketplace | <b>c. mixed economy</b>           |
| _____ 4. the doctrine that government generally should not intervene in the marketplace       | <b>d. economic transition</b>     |
| _____ 5. a market-based economic system with some government involvement                      | <b>e. privatization</b>           |
| _____ 6. property owned by individuals or companies   | <b>f. government intervention</b> |
|   | <b>g. private property</b>        |
|   | <b>h. economic freedom</b>        |

### B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

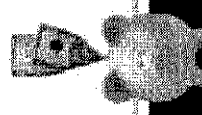
- \_\_\_\_\_ 7. The United States economy is a mixed economy based on
- a traditional economy, but allowing some government intervention.
  - a centrally planned economy, but limiting government intervention.
  - a free market, allowing no government intervention.
  - a free market, but allowing some government intervention.
- \_\_\_\_\_ 8. Government intervention in a modern economy is useful because
- the marketplace always meets the needs and wants of a modern society.
  - the marketplace has many incentives to create public works such as parks.
  - governments are more able to meet some needs and wants of society.
  - free market principles do not encourage growth.
- \_\_\_\_\_ 9. A difference between the economies of China and North Korea is that
- North Korea does not have a centrally-planned economy.
  - North Korea has begun to introduce free market practices.
  - China is privatizing state-run businesses.
  - China does not allow ownership of private property.
- \_\_\_\_\_ 10. The United States government intervenes in the economy in order to
- provide competition for firms.
  - place barriers on foreign trade.
  - promote the general welfare.
  - protect laissez faire.



# Objectives

# ECONOMICS

1. **Define** the basic principles of the U.S. free enterprise system.
2. **Describe** the role of the consumer in the American economy.
3. **Identify** the constitutional protections that underlie free enterprise.
4. **Explain** why the government may intervene in the marketplace.



**CHAPTER**  
**3**  
**SECTION 1**

**Benefits of Free Enterprise**

**3**

**A. Key Terms and Concepts**

**Directions:** Complete each statement with the correct term from this section.

1. People who want to exert influence on policymakers may form an \_\_\_\_\_.
2. Americans expect their government to set economic policy that promotes the \_\_\_\_\_.
3. Congress passed \_\_\_\_\_ that require companies to inform consumers about the products they sell.
4. The right of \_\_\_\_\_ allows people to buy or sell what they choose.
5. The government may take private property by \_\_\_\_\_, but it must compensate owners.
6. A woman has the right of \_\_\_\_\_, so she can sign an agreement with her employer to work for one year.

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. Why has America been referred to as the "land of opportunity"?
 

<ol style="list-style-type: none"> <li>a. It provides anyone the possibility of success through hard work.</li> <li>b. It provides jobs for all citizens.</li> </ol>	<ol style="list-style-type: none"> <li>c. It provides farmers farmland without levying taxes on the land.</li> <li>d. It provides money for all citizens.</li> </ol>
--	--
  
- \_\_\_\_\_ 8. What basic principles are fundamental to American free enterprise?
  - a. state-owned property, contracts, voluntary exchange, self-interest
  - b. economic freedom, private property, protection from competition
  - c. open opportunity, private property, contracts, voluntary exchange
  - d. economic freedom, private property, mandatory exchange
  
- \_\_\_\_\_ 9. In what way does the Bill of Rights protect individuals' freedom to engage in business activities?
 

<ol style="list-style-type: none"> <li>a. It recognizes property rights.</li> <li>b. It denies the government the ability to regulate commerce.</li> </ol>	<ol style="list-style-type: none"> <li>c. It provides free contracts.</li> <li>d. It provides each industry with a competitive edge.</li> </ol>
--	---
  
- \_\_\_\_\_ 10. What is often considered a negative effect of government regulations?
  - a. They cut into company profits.
  - b. They stifle competition.
  - c. They cause higher prices for consumers.
  - d. All of the above.

# Objectives

# ECONOMICS

- 1. Explain** why the government tracks and seeks to influence business cycles.
- 2. Describe** how the government promotes economic strength.
- 3. Analyze** the factors that increase productivity.



## A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |  |
|---|--|
| _____ 1. a period of macroeconomic expansion followed by a period of contraction                          | <b>a. macroeconomics</b>               |
| _____ 2. the study of the economic behavior of small units, such as individuals, families, and businesses | <b>b. microeconomics</b>               |
| _____ 3. the process used to produce a good or service  | <b>c. business cycle</b>               |
| _____ 4. the process by which older products and processes become out of date                             | <b>d. gross domestic product (GDP)</b> |
| _____ 5. the study of the behavior and decision making of entire economies                                | <b>e. technology</b>                   |
| _____ 6. the total value of all final goods and services produced in a particular economy in a year       | <b>f. obsolescence</b>                 |
|   | <b>g. referendum</b>                   |
|   | <b>h. patent</b>                       |

## B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

7. Business cycles occur in free enterprise systems because
- |  |  |
|--|--|
| <b>a. government policy creates cycles.</b>  | <b>c. the standard of living is very high.</b>   |
| <b>b. the efficiency of workers is not the same from season to season, but fluctuates on a regular basis annually.</b> | <b>d. economic decisions about factors such as prices, production, and consumption are determined by the market.</b> |
- \_\_\_\_\_
8. The federal government monitors and regulates American banks and other financial institutions
- |  |  |
|--|--|
| <b>a. to improve the standard of living for all.</b> | <b>c. to shield money from the damaging effects of economic downturns.</b> |
| <b>b. to keep control over the economy.</b>          | <b>d. to keep prices stable.</b>   |
- \_\_\_\_\_
9. Policymakers pursue all of the following goals to stabilize the economy *except*
- |                                |                          |
|--------------------------------|--------------------------|
| <b>a. high unemployment.</b>   | <b>c. stable prices.</b> |
| <b>b. stable productivity.</b> | <b>d. steady growth.</b> |
- \_\_\_\_\_
10. Improved technology helps create a higher standard of living for future generations by
- |  |
|--|
| <b>a. preventing drastic shifts in general price levels.</b> |
| <b>b. creating specialized jobs for workers.</b>             |
| <b>c. reducing the number of unemployed workers</b>          |
| <b>d. providing additional goods and services.</b>           |

# Objectives

# ECONOMICS

1. Identify examples of public goods.
2. Analyze market failures.
3. Evaluate how the government allocates some resources by managing externalities.



CHAPTER  
**3**  
SECTION 3

## QUIZ A

## Providing Public Goods

3

**A. Key Terms and Concepts****Directions:** Complete each statement with the correct term from this section.

1. Public goods are financed by the \_\_\_\_\_.
2. A public good is an example of a \_\_\_\_\_.
3. A positive side effect of a public or private good is called a positive \_\_\_\_\_.
4. Someone who does not pay for a good or service but benefits from it anyway is called a \_\_\_\_\_.
5. A bridge is an example of something that is usually provided as a \_\_\_\_\_.
6. The part of the economy that involves transactions between individuals and businesses is the \_\_\_\_\_.

**B. Main Ideas****Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. What is critical in determining whether something is produced as a public good?
  - a. whether the market has the resources to provide it
  - b. whether the benefits to society are greater than the total cost
  - c. whether the government needs to use tax money to provide it
  - d. whether the benefits are limited to the poor
- \_\_\_\_\_ 8. How do public goods demonstrate the limitations of a free market economy?
  - a. They allow consumers to make all of the economic decisions.
  - b. They allow government to make some economic decisions.
  - c. They allow governments to control most economic decisions.
  - d. They prevent consumers from making economic decisions.
- \_\_\_\_\_ 9. What is the government's role in controlling externalities in the American economy?
  - a. Government tries to encourage positive and limit negative externalities.
  - b. Government tries to limit all externalities to stop market failures.
  - c. Government tries to limit positive and encourage negative externalities.
  - d. Government tries to encourage all externalities to increase competition.
- \_\_\_\_\_ 10. If a student volunteers at a nursing home after school, which of the following might be a negative externality?
  - a. A student might volunteer to spend more time with the residents.
  - b. A student might learn a new skill.
  - c. A student might be unable to work at a part-time job on that afternoon.
  - d. A student would feel good about herself.

# Objectives

# ECONOMICS

1. **Explain** the U.S. political debate on ways to fight poverty.
2. **Identify** the main programs through which the government redistributes income.
3. **Describe** how the government encourages private efforts to help the needy.



CHAPTER  
**3**  
SECTION 4

## QUIZ A

## Providing a Safety Net

3

### A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |                                  |
|--|----------------------------------|
| _____ 1. an income level below that which is needed to support a household                                   | <b>a. standard of living</b>     |
| _____ 2. direct payments of money to eligible poor, disabled, or retired people                              | <b>b. redistribution</b>         |
| _____ 3. level of economic well-being  | <b>c. poverty threshold</b>      |
| _____ 4. goods and services provided for free or at greatly reduced prices                                   | <b>d. cash transfers</b>         |
| _____ 5. government aid to the poor  | <b>e. in-kind benefits</b>       |
| _____ 6. a financial award given by government to a private individual or group to carry out a specific task | <b>f. grant</b>                  |
|  | <b>g. unemployment insurance</b> |
|  | <b>h. welfare</b>                |

### B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. Various federal, state, and local government programs help raise people's standard of living because
- people living in areas of poverty cannot afford to pay their taxes.
  - people want the government to intervene in the market.
  - certain groups of people have fewer opportunities to be productive.
  - people expect to maintain a high standard of living.
- \_\_\_\_\_ 8. The most common in-kind benefits are
- coupons, food stamps, subsidized housing, and legal aid.
  - food giveaways, food stamps, subsidized housing, and legal aid.
  - food giveaways, food stamps, housing reimbursements, and legal aid.
  - food giveaways, food stamps, subsidized housing, and tuition reimbursements.
- \_\_\_\_\_ 9. Health insurance for the elderly, the poor, and the disabled is provided by
- Medicare and Medicaid.
  - the unemployment insurance program.
  - workers' compensation.
  - TANF.
- \_\_\_\_\_ 10. Education programs make the economy more productive by
- adding to human capital and labor productivity.
  - providing more jobs to educators.
  - reducing payments to unemployed people.
  - reducing injuries on the job.



# Objectives

# ECONOMICS

1. Explain the law of demand.
2. Describe how the substitution effect and the income effect influence decisions.
3. Create a demand schedule for an individual and a market.
4. Interpret a demand graph using demand schedules.



CHAPTER  
**4**  
SECTION 1

## QUIZ A

## Understanding Demand

3

**A. Key Terms and Concepts****Directions:** Complete each statement.

1. People will buy more of a good when its price falls and less when its price rises, according to the \_\_\_\_\_.
2. To show how demand for a good will change at specific price points, economists use a \_\_\_\_\_.
3. Replacing a good with a similar good because of a change in prices is an example of the \_\_\_\_\_.
4. Consuming less due to rising prices is an example of \_\_\_\_\_.
5. A consumer's desire to buy something and the ability to pay for it is called \_\_\_\_\_.
6. A graph that shows how demand will change when prices change is a \_\_\_\_\_.

**B. Main Ideas****Directions:** Identify the choice that best completes the statement or answers the question.

7. Why does an economist create a market demand schedule?
  - a. to learn what demands the market will make under unusual conditions
  - b. to have an idea of how a market would change if conditions in an area changed
  - c. to predict how people will change their buying habits when prices change
  - d. to show how various conditions can change the demand for a good
8. Which is an example of the law of demand at work?
  - a. The price of pizza goes up when the price of cheese goes up.
  - b. Demand for pizza goes down when tacos become more popular.
  - c. The price of pizza falls when demand for pizza falls.
  - d. Demand for pizza rises when the price of pizza falls.
9. If prices rise and income stays the same, what is the effect on demand?
  - a. More is bought of some goods and less of others.
  - b. Fewer goods are bought.
  - c. More goods are bought.
  - d. Demand stays the same.
10. How does the substitution effect work when the price of an item drops?
  - a. The item becomes less and less popular as price drops.
  - b. The substitutes for the item also suffer a drop in prices.
  - c. Consumers buy the item as a substitute for other things.
  - d. Consumers buy the item even if they do not particularly want it.

# Objectives

# ECONOMICS

1. **Explain** the difference between a change in quantity demanded and a shift in the demand curve.
2. **Identify** the factors that create changes in demand and that can cause a shift in the demand curve.
3. **Give an example** of how a change in demand for one good can affect demand for a related good.



## A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                                  |
|---|----------------------------------|
| _____ 1. two goods that are used together                                       | <b>a. normal goods</b>           |
| _____ 2. goods that consumers demand more of when incomes increase              | <b>b. inferior goods</b>         |
| _____ 3. goods used in place of one another                                     | <b>c. complements</b>            |
| _____ 4. goods for which demand falls as income increases                       | <b>d. substitutes</b>            |
| _____ 5. statistical information about populations                              | <b>e. demographics</b>           |
| _____ 6. the assumption that nothing other than the price of a good will change | <b>f. <i>ceteris paribus</i></b> |
|   | <b>g. population</b>             |
|   | <b>h. demand curve</b>           |

## B. Main Ideas

**Directions:** Identify the choice that best completes the statement or answers the question.

- \_\_\_\_\_ 7. How can expectations about the future change consumer behavior?
- Demand for a good drops if the price is expected to stay the same.
  - Demand for a good rises if the good is expected to be plentiful.
  - Demand for a good rises if its price is expected to rise.
  - Demand for a good drops if no substitutes are available.
- \_\_\_\_\_ 8. How might advertising lead to a shift in the demand curve?
- |  |   |
|--|---|
| <b>a. by increasing the popularity of inferior goods</b> | <b>c. by allowing the law of demand to operate freely</b> |
| <b>b. by leading to a shift in demographics</b>          | <b>d. by helping to create fads and trends</b>            |
- \_\_\_\_\_ 9. When will increased demand for one good increase demand for another?
- when goods are bought together
  - when goods are used together
  - when goods are substitutes
  - when one good is inferior and the other is normal
- \_\_\_\_\_ 10. What can cause an entire demand curve to shift?
- |                                |  |
|--------------------------------|--|
| <b>a. a decrease in price</b>  | <b>c. uncertainty about the future price</b> |
| <b>b. an increase in price</b> | <b>d. a change in demographics</b>           |

# Objectives

# ECONOMICS

1. Explain how to calculate elasticity of demand.
2. Identify factors that effect elasticity.
3. Explain how firms use elasticity and revenue to make decisions.



## A. Key Terms and Concepts

**Directions:** Complete each statement with the correct term from this section.

- If consumers will buy much less of a good after a price change, demand is \_\_\_\_\_.
- When demand does not change much after a price change, demand is \_\_\_\_\_.
- The amount of money a company makes from selling its goods is \_\_\_\_\_.
- To determine how price changes will affect demand, economists measure \_\_\_\_\_.
- When elasticity of demand is exactly 1, demand is described as \_\_\_\_\_.
- A good that is perceived as a \_\_\_\_\_ will be purchased even if the price rises.

## B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- How does elasticity affect a company's pricing policy?
  - Inelastic demand tells the company that a price increase will decrease revenues.
  - Elastic demand tells the company that a price increase will decrease revenues.
  - Unitary elastic demand tells the company that a price decrease will decrease revenues.
  - Unitary elastic demand tells the company that a price increase will increase revenues.
- How does the price range affect the elasticity of demand for a product?
  - Demand for all products is elastic if the price is low enough.
  - Demand can be elastic at a low price but inelastic at a high price.
  - Demand can be inelastic at a low price, but elastic at a high price.
  - Price range has little effect on elasticity of demand for a good.
- What does elasticity of demand measure?
  - an increase in the quantity available
  - how buyers will respond to price changes
  - a decrease in the quantity demanded
  - the time consumers take to change their demand
- What effect does the availability of many substitutes have on the elasticity of demand for a good?
 

a. Demand is elastic.	c. Demand is unitary elastic.
b. Demand is inelastic.	d. Demand is not affected.

# Objectives

# ECONOMICS

1. Explain the law of supply.
2. Interpret a supply schedule and a supply graph.
3. Examine the relationship between elasticity of supply and time.



CHAPTER  
**5**  
SECTION 1

## QUIZ A

## Understanding Supply

3

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |                                  |
|--|----------------------------------|
| _____ 1. a measure of how suppliers react to a change in price                     | <b>a. variable</b>               |
| _____ 2. a factor that can change  | <b>b. quantity supplied</b>      |
| _____ 3. how much of a good is offered for sale at a specific price                | <b>c. market supply schedule</b> |
| _____ 4. relationship between price and total quantity supplied by all firms       | <b>d. elasticity of supply</b>   |
| _____ 5. a graphical representation of a supply schedule                           | <b>e. supply curve</b>           |
| _____ 6. the principle that the higher the price, the larger the quantity produced | <b>f. supply schedule</b>        |
|  | <b>g. production schedule</b>    |
|  | <b>h. law of supply</b>          |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. For which of the following goods is supply likely to be inelastic in the short term whether prices rise or fall?
- |                |               |
|----------------|---------------|
| a. cargo ships | c. newspapers |
| b. haircuts    | d. staples    |
- \_\_\_\_\_ 8. When the price of a product goes down, what happens?
- Existing producers expand, and new producers enter the market.
  - Some producers produce less, and others drop out of the market.
  - Existing firms continue their usual output but earn less.
  - New firms enter the market as older ones drop out.
- \_\_\_\_\_ 9. A supply schedule is characterized by which of the following?
- It shows the quantity supplied at only one price.
  - It shows the factors that could influence supply.
  - It is sensitive to changes in the costs of labor and parts.
  - It lists supply for a specific good.
- \_\_\_\_\_ 10. Which of these best describes a supply curve?
- |  |                                   |
|--|-----------------------------------|
| a. It always falls from left to right. | c. It rises if supply is elastic. |
| b. It always rises from left to right. | d. It falls if supply decreases.  |



# Objectives

# ECONOMICS

1. **Explain** how firms decide how much labor to hire in order to produce a certain level of output.
2. **Analyze** the production costs of a firm.
3. **Explain** how a firm chooses to set output.
4. **Identify** the factors that a firm must consider before shutting down a profitable business.



## A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |  |
|--|--|
| _____ 1. a cost that rises or falls depending on the quantity produced   | <b>a. marginal cost</b>                |
| _____ 2. the change in output that results from having one more worker   | <b>b. variable cost</b>                |
| _____ 3. a cost that does not change no matter how much is produced      | <b>c. fixed cost</b>                   |
| _____ 4. the additional income from selling one more unit of a good      | <b>d. marginal product of labor</b>    |
| _____ 5. the additional cost of producing one more unit                  | <b>e. marginal revenue</b>             |
| _____ 6. adding more workers increases total output at a decreasing rate | <b>f. total cost</b>                   |
|  | <b>g. average cost</b>                 |
|  | <b>h. diminishing marginal returns</b> |

## B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. How does a manufacturer set total output to maximize profit?
- set production so that total revenue plus cost is greatest
  - set production at the point where marginal revenue is smallest
  - set production at the point where marginal revenue equals marginal cost
  - set production so that marginal revenue and profit are the same
- \_\_\_\_\_ 8. When should a factory that is losing money remain in operation?
- when marginal revenue is equal to marginal cost
  - when the total cost of the product exceeds the operating cost
  - when the marginal product of labor becomes negative
  - when the total revenue exceeds the operating cost
- \_\_\_\_\_ 9. If marginal cost becomes higher than price, what happens to a company?
- The company will go out of business.
  - The company will lose money on each additional unit produced.
  - Company specialization will lower the actual price charged.
  - Diminishing marginal returns will shrink the production.
- \_\_\_\_\_ 10. How is the total cost of a factory or other production site determined?
- |   |   |
|---|---|
| <b>a. marginal cost plus fixed costs</b>  | <b>c. marginal cost plus variable costs</b> |
| <b>b. fixed costs plus variable costs</b> | <b>d. marginal cost plus output cost</b>    |

# Objectives

# ECONOMICS

1. **Explain** how factors such as input costs create changes in supply.
2. **Identify** three ways that the government can influence the supply of goods.
3. **Analyze** other factors that affect supply.
4. **Explain** how firms choose a location to produce goods.



CHAPTER  
**5**  
SECTION 3

## QUIZ A

**Changes in Supply**

3

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |                               |
|--|-------------------------------|
| _____ 1. government intervention in a market affects that price, quantity, or quality                        | <b>a. subsidy</b>             |
| _____ 2. payment to the government on the production or sale of a good                                       | <b>b. excise tax</b>          |
| _____ 3. a condition of rising prices  | <b>c. regulation</b>          |
| _____ 4. a government payment that supports a business or market   | <b>d. input costs</b>         |
| _____ 5. the cost of bringing raw materials to a production facility and sending finished products to stores | <b>e. supply curve shift</b>  |
| _____ 6. an increase in supply at every price  | <b>f. inflation</b>           |
|  | <b>g. transportation cost</b> |
|  | <b>h. location cost</b>       |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. What effect do rising input costs have on the price of a good?
- |  |   |
|--|---|
| <b>a.</b> The good becomes dependent on government regulation. | <b>c.</b> The good becomes more expensive to produce. |
| <b>b.</b> The good becomes cheaper to produce.                 | <b>d.</b> It has no effect on the cost of the good.   |
- \_\_\_\_\_ 8. How does new technology generally affect production?
- |  |  |
|--|--|
| <b>a.</b> It lowers cost and decreases supply. | <b>c.</b> It increases cost and decreases supply.  |
| <b>b.</b> It lowers cost and increases supply. | <b>d.</b> It has very little effect on production. |
- \_\_\_\_\_ 9. What is one reason European governments protect the growing of food with subsidies?
- |  |   |
|--|---|
| <b>a.</b> to have food in case imports are ever restricted | <b>c.</b> to reduce the price of farm-grown food                              |
| <b>b.</b> to allow the food producers to pay their debts   | <b>d.</b> to help the population forget the food shortages after World War II |
- \_\_\_\_\_ 10. If a seller expects the price of a good to rise in the future, the seller will
- |  |  |
|--|--|
| <b>a.</b> place these goods on the market immediately. | <b>c.</b> store these goods until the price goes up. |
| <b>b.</b> increase production of the good.             | <b>d.</b> increase the price of the good now.        |

# Objectives

# ECONOMICS

1. **Explain** how supply and demand create equilibrium in the marketplace.
2. **Describe** what happens to prices when equilibrium is disturbed.
3. **Identify** two ways that the government intervenes in markets to control prices.
4. **Analyze** the impact of price ceilings and price floors on a free market.



## A. Key Terms and Concepts

**Directions:** Match an item in Column I with one of the descriptions below.

### Column I

- \_\_\_\_\_ 1. point at which quantity demanded equals quantity supplied
- \_\_\_\_\_ 2. when quantity supplied is not equal to quantity demanded
- \_\_\_\_\_ 3. when quantity demanded is more than quantity supplied
- \_\_\_\_\_ 4. legal maximum that can be charged for a good
- \_\_\_\_\_ 5. government-set price floor on earnings
- \_\_\_\_\_ 6. when quantity supplied is greater than quantity demanded

### Column II

- a. price ceiling
- b. minimum wage
- c. equilibrium
- d. price floor
- e. shortage
- f. rent control
- g. surplus
- h. disequilibrium

## B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. When there is a shortage of a good, what happens to the price?
  - a. It remains unchanged.
  - b. It increases.
  - c. A price ceiling is imposed.
  - d. It decreases.
- \_\_\_\_\_ 8. What is the government's goal in buying excess crops or other agricultural products?
  - a. to raise minimum wage
  - b. to keep prices from going down
  - c. to set legal price ceilings
  - d. to lower prices
- \_\_\_\_\_ 9. What happens when a market is in disequilibrium and prices are flexible?
  - a. Market forces push toward equilibrium.
  - b. Sellers waste their resources.
  - c. Excess demand is created.
  - d. Unsold perishable goods are thrown out.
- \_\_\_\_\_ 10. Why does a government place price ceilings, such as rent control, on some "essential" goods?
  - a. to prevent inflation during boom times
  - b. to keep business people from making large profits
  - c. to keep the goods from becoming too expensive
  - d. to reduce demand for these goods

# Objectives

# ECONOMICS

1. **Explain** why a free market naturally tends to move toward equilibrium.
2. **Analyze** how a market reacts to an increase or decrease in supply.
3. **Analyze** how a market reacts to an increase or decrease in demand.



**A. Matching**

**Directions:** Match an item in Column I with one of the descriptions below.

**Column I**

- \_\_\_\_\_ 1. the quantity of goods a company has on hand
- \_\_\_\_\_ 2. the costs consumers pay in looking for a good
- \_\_\_\_\_ 3. a product that reflects the impact of advertising on consumer behavior
- \_\_\_\_\_ 4. when demand is higher than supply
- \_\_\_\_\_ 5. the market's first response to a decrease in supply

**Column II**

- a. shortage**
- b. disequilibrium**
- c. search costs**
- d. equilibrium**
- e. inventory**
- f. fad**

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 6. How does a firm respond to a higher demand for its goods?
  - a. It rations goods.
  - b. It raises prices.
  - c. It cuts prices.
  - d. There is no set response.
- \_\_\_\_\_ 7. How does an improvement in the technology for producing cellular phones affect supply?
  - a. The supply curve moves left.
  - b. The supply curve moves right.
  - c. The demand curve moves right.
  - d. The demand curve moves left.
- \_\_\_\_\_ 8. When are lower costs passed on to consumers?
  - a. when the market is in disequilibrium
  - b. when the market has a shortage
  - c. when manufacturing input fees are reduced
  - d. when the supply curve shifts to the left
- \_\_\_\_\_ 9. What happens after the demand for a fad drops?
  - a. Supply goes down; price goes up.
  - b. Both supply and price go up.
  - c. There is a shortage.
  - d. There is a surplus.
- \_\_\_\_\_ 10. When is a market at equilibrium?
  - a. when quantity demanded equals quantity supplied
  - b. when unsold goods begin to pile up
  - c. when prices equal the cost of production
  - d. when suppliers begin to reduce prices



# Objectives

# ECONOMICS

1. **Identify** the many roles that prices play in a free market.
2. **List** the advantages of a price-based system.
3. **Explain** how a price-based system leads to a wider choice of goods and more efficient allocation of resources.
4. **Describe** the relationship between prices and the profit incentive.



CHAPTER  
6  
SECTION 3

## QUIZ A

## The Role of Prices

3

**A. Matching**

**Directions:** Match each item in Column I with one of the descriptions below.

**Column I**

- \_\_\_\_\_ 1. resources are distributed according to price
- \_\_\_\_\_ 2. motivation to sell based on potential profit
- \_\_\_\_\_ 3. dividing up goods and services without regard to prices
- \_\_\_\_\_ 4. business conducted without regard for government controls
- \_\_\_\_\_ 5. a sudden shortage of a good
- \_\_\_\_\_ 6. using resources for their most valuable purposes

**Column II**

- a. rationing**
- b. black market**
- c. supply shock**
- d. free market**
- e. profit incentive**
- f. efficient resource allocation**
- g. price floor**

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. What is the main principle of Adam Smith's *The Wealth of Nations*?
  - a. Profits are made by selling people what they need.
  - b. Business prospers by finding out what people want and then providing it.
  - c. People do not always get what they need.
  - d. A price-based system provides few incentives for businesses.
- \_\_\_\_\_ 8. During World War II, the United States used rationing to
  - a. limit production.
  - b. meet tremendous shortages.
  - c. give away goods.
  - d. stop the black market.
- \_\_\_\_\_ 9. What prompts efficient resource allocation in a market system?
  - a. business profits
  - b. distribution according to need
  - c. government regulation
  - d. price ceilings
- \_\_\_\_\_ 10. How do price changes drive markets toward equilibrium?
  - ~~a.~~ by setting new price floors and ceilings
  - b. by increasing or decreasing supply or demand
  - c. by ensuring that prices are fair
  - d. by preventing inflation or deflation

# Objectives

# ECONOMICS

1. Describe the four conditions that are in place in a perfectly competitive market.
2. List two common barriers that prevent firms from entering a market.
3. Describe prices and output in a perfectly competitive market.



CHAPTER  
7  
SECTION 1

## Perfect Competition

3

### A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                                 |
|---|---------------------------------|
| _____ 1. any factor that makes it difficult for new firms to enter the market           | <b>a. perfect competition</b>   |
| _____ 2. expenses a new business must pay before the first product reaches the customer | <b>b. efficiency</b>            |
| _____ 3. training needed to start certain businesses                                    | <b>c. start-up costs</b>        |
| _____ 4. a product that is considered the same regardless of who makes or sells it      | <b>d. commodity</b>             |
| _____ 5. a market with many firms, identical products, and free entry and exit          | <b>e. imperfect competition</b> |
| _____ 6. a market with barriers to entry.   | <b>f. price and output</b>      |
|   | <b>g. technological barrier</b> |
|   | <b>h. barrier to entry</b>      |

### B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. Why does a perfectly competitive market require many buyers and sellers?
- |  |   |
|--|---|
| <b>a.</b> so no individual can control the price | <b>c.</b> so buyers and sellers have the same information |
| <b>b.</b> because goods must be uniform          | <b>d.</b> to maintain quality over the goods              |
- \_\_\_\_\_ 8. What is the relationship between start-up costs and a competitive market?
- |  |
|--|
| <b>a.</b> High start-up costs are likely to make a market less competitive.    |
| <b>b.</b> High start-up costs are likely to make a market more competitive.    |
| <b>c.</b> Low start-up costs are likely to make a market less competitive.     |
| <b>d.</b> There is no relationship between start-up costs and competitiveness. |
- \_\_\_\_\_ 9. Why are there relatively few markets in which there is perfect competition?
- |  |
|--|
| <b>a.</b> Lack of demand keeps buyers away.                  |
| <b>b.</b> High prices keep companies in the market too long. |
| <b>c.</b> Barriers keep companies from entering.             |
| <b>d.</b> Buyers will not pay more for perfect competition.  |
- \_\_\_\_\_ 10. How does a perfect market influence output?
- |  |
|--|
| <b>a.</b> Each firm adjusts its output so that its costs, including profit, are covered. |
| <b>b.</b> Each firm makes its output as large as possible.                               |
| <b>c.</b> Firms make different amounts of goods, but only some make a profit.            |
| <b>d.</b> Firms each strive to make more goods and capture more of the market.           |

# Objectives

# ECONOMICS

1. Describe characteristics and give examples of a monopoly.
2. Describe how monopolies, including government monopolies, are formed.
3. Explain how a firm with a monopoly makes output decisions.
4. Explain why monopolists sometimes practice price discrimination.



CHAPTER  
SECTION **7**  
2

## Monopoly

3

### A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |                                |
|--|--------------------------------|
| _____ 1. a single seller in a market   | <b>a. economies of scale</b>   |
| _____ 2. an industry that runs best when a single company produces a good or service             | <b>b. franchise</b>            |
| _____ 3. a company has exclusive rights to sell a new good or service for a specific time period | <b>c. monopoly</b>             |
| _____ 4. a contract to sell goods in an exclusive market   | <b>d. patent</b>               |
| _____ 5. consumers are divided into groups and each is charged differently                       | <b>e. price discrimination</b> |
| _____ 6. a producer's average cost drops as production rises                                     | <b>f. natural monopoly</b>     |
|  | <b>g. license</b>              |
|  | <b>h. market power</b>         |

### B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. A government's aim in giving an antitrust exemption to sports leagues is
- to increase the league owners' profits.
  - to prevent other leagues from financing competing sports.
  - to allow leagues to keep team play stable and orderly.
  - to prevent athletes from starting new teams.
- \_\_\_\_\_ 8. A discounted airline fare is a price discrimination that can be offered because
- people may not want to go where the discounts may allow them to go.
  - vacationers are willing to put up with the airlines' restrictions.
  - people who fly on business want the price discount but do not qualify.
  - senior citizens qualify for discounts only on certain types of flights.
- \_\_\_\_\_ 9. Patents are a form of monopoly that society allows because they
- encourage firms to develop new products that benefit society.
  - maintain an orderly way for companies to make a lot of money.
  - give companies the right to decide who will use their products.
  - set up a situation in which only a few manufacturers control an industry.
- \_\_\_\_\_ 10. The controller of a monopoly sets the price of goods by charging
- as much as possible regardless of the amount sold.
  - only a small amount over cost.
  - the price at which the profit is maximized.
  - less than they would charge if they did not have a monopoly.

# Objectives

# ECONOMICS

1. Describe characteristics and give examples of monopolistic competition.
2. Explain how firms compete without lowering prices.
3. Understand how firms in a monopolistically competitive market set output.
4. Describe characteristics and give examples of oligopoly.



CHAPTER  
**7**  
SECTION 3

## QUIZ A

## Monopolistic Competition and Oligopoly

3

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                                    |
|---|------------------------------------|
| _____ 1. many companies in an open market selling similar products                                | <b>a. nonprice competition</b>     |
| _____ 2. a market structure dominated by a few large, profitable firms                            | <b>b. price war</b>                |
| _____ 3. an agreement among firms to sell at the same or very similar prices                      | <b>c. differentiation</b>          |
| _____ 4. a formal organization of producers that agree to coordinate prices and production        | <b>d. monopolistic competition</b> |
| _____ 5. an agreement among members of an oligopoly to illegally set prices and production levels | <b>e. collusion</b>                |
| _____ 6. adding a "secret ingredient" to a product to distinguish it from others                  | <b>f. cartel</b>                   |
|   | <b>g. oligopoly</b>                |
|   | <b>h. price fixing</b>             |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. If two shops sell the same merchandise but one offers a higher level of service, the service distinction is
- |                                 |   |
|---------------------------------|---|
| <b>a. price fixing.</b>         | <b>c. choice among substitute products.</b> |
| <b>b. nonprice competition.</b> | <b>d. local competition.</b>                |
- \_\_\_\_\_ 8. A major characteristic of monopolistic competition is that prices will be
- |   |   |
|---|---|
| <b>a. higher than in perfect competition.</b> | <b>c. higher than in a true monopoly.</b> |
| <b>b. lower than in perfect competition.</b>  | <b>d. unrelated to competition.</b>       |
- \_\_\_\_\_ 9. A cartel is able to survive only if
- |   |
|---|
| <b>a. government regulations permit it.</b>                     |
| <b>b. members are scrupulous about where they sell goods.</b>   |
| <b>c. all members keep agreed output levels.</b>                |
| <b>d. members use advertising to differentiate their goods.</b> |
- \_\_\_\_\_ 10. The main difference between monopolistic competition and perfect competition is that
- |  |
|--|
| <b>a. in perfect competition prices are set by the government.</b>             |
| <b>b. in perfect competition the buyer is free to buy from any seller.</b>     |
| <b>c. in monopolistic competition there are fewer sellers and more buyers.</b> |
| <b>d. in monopolistic competition sellers completely control price.</b>        |



# Objectives

# ECONOMICS

1. **Explain** how firms might try to increase their market power.
2. **List** three market practices that the government regulates or bans to protect competition.
3. **Define** deregulation, and list its effects on several industries.



CHAPTER  
**7**  
SECTION 4

## QUIZ A

## Regulation and Deregulation

3

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                             |
|---|-----------------------------|
| _____ 1. setting the market price below cost  | <b>a. antitrust laws</b>    |
| _____ 2. government policies that keep firms from controlling the price and supply of goods | <b>b. predatory pricing</b> |
| _____ 3. the government no longer decides each company's place in the market                | <b>c. merger</b>            |
| _____ 4. a company joins another company or companies                                       | <b>d. competition</b>       |
| _____ 5. an illegal grouping of companies that discourages competition                      | <b>e. price controls</b>    |
| _____ 6. government set maximum or minimum prices   | <b>f. sale</b>              |
|   | <b>g. trust</b>             |
|   | <b>h. deregulation</b>      |

**B. Main Ideas**

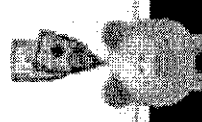
**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. Deregulation of the airline industry caused price declines because
- deregulation made flying more expensive.
  - some airports were dominated by one airline.
  - competition lowered prices.
  - deregulation caused demand for air travel to go down.
- \_\_\_\_\_ 8. The government claimed that, to illegally control the market, Microsoft used
- predatory pricing and mergers.
  - predatory pricing and buying out competitors.
  - predatory pricing and forming a cartel.
  - predatory pricing and requiring customers to buy other products.
- \_\_\_\_\_ 9. Before government approves a merger, companies must prove that the merger would
- |  |  |
|--|--|
| <b>a.</b> be beneficial by creating a monopoly.                        | <b>c.</b> be good for certain consumers.                 |
| <b>b.</b> lower costs and consumer prices or lead to a better product. | <b>d.</b> lower the number of competitors in the market. |
- \_\_\_\_\_ 10. Inventions such as cellular phones can affect antitrust policies because
- people using the technology do not want antitrust regulations.
  - government rules can allow higher charges than competition.
  - the technology causes the need for more strict regulation than before.
  - they can mean that the need for regulation no longer exists.

# Objectives

# ECONOMICS

1. Explain the characteristics of sole proprietorships.
2. Analyze the advantages of sole proprietorships.
3. Analyze the disadvantages of sole proprietorships.



CHAPTER  
8  
SECTION 1

## Sole Proprietorships

3

### A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |                                 |
|--|---------------------------------|
| _____ 1. a business owned and managed by a single individual                         | <b>a. fringe benefits</b>       |
| _____ 2. an authorization from the local government to carry on an enterprise        | <b>b. sole proprietorship</b>   |
| _____ 3. regulations cities and towns use to designate separate areas for businesses | <b>c. zoning laws</b>           |
| _____ 4. the legal obligation to pay debts   | <b>d. business license</b>      |
| _____ 5. payments to employees other than wages or salaries                          | <b>e. liability</b>             |
| _____ 6. the ownership structure of a company  | <b>f. business organization</b> |
|  | <b>g. regulations</b>           |
|  | <b>h. debt forgiveness</b>      |

### B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. If a sole proprietorship fails, the owner of the business
- |  |  |
|--|--|
| <b>a. must pay all the business debts.</b>                     | <b>c. must pay off the investors.</b>                                  |
| <b>b. has to do a lot of legal work to close the business.</b> | <b>d. must wait 10 business days before starting another business.</b> |
- \_\_\_\_\_ 8. Which of the following is true of sole proprietorships?
- |  |  |
|--|--|
| <b>a. They have only one employee.</b>                 | <b>c. They must have a business license.</b>           |
| <b>b. They are owned and managed by an individual.</b> | <b>d. They don't pay fringe benefits to employees.</b> |
- \_\_\_\_\_ 9. A major disadvantage of the sole proprietorship is that
- the business cannot be sold off if it does well.
  - the business can be difficult to relocate.
  - the sole proprietor may have problems borrowing money from a bank.
  - no one can work for the business owner.
- \_\_\_\_\_ 10. A major advantage of a sole proprietorship is that
- the owner has full authority over business decisions.
  - the owner has no liability for the debts of the business.
  - human capital is unlimited.
  - it is relatively easy to find and keep good employees.

# Objectives

# ECONOMICS

1. **Compare and contrast** different types of partnerships.
2. **Analyze** the advantages of partnerships.
3. **Analyze** the disadvantages of partnerships.
4. **Explain** how a business franchise operates.



## A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |   |
|---|---|
| _____ 1. a business in which all partners share in both responsibility and liability                  | <b>a. limited partnership</b>                 |
| _____ 2. a legal agreement that sets out each partner's rights and responsibilities in a partnership  | <b>b. limited liability partnership (LLP)</b> |
| _____ 3. a business in which one partner has unlimited personal liability for the company's actions   | <b>c. general partnership</b>                 |
| _____ 4. money and other valuables  | <b>d. assets</b>                              |
| _____ 5. a business in which all partners are protected from personal liability in certain situations | <b>e. articles of partnership</b>             |
| _____ 6. a business that pays fees to a parent company  | <b>f. business franchise</b>                  |
|   | <b>g. royalties</b>                           |
|   | <b>h. start-up costs</b>                      |

## B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. The most common type of partnership is the
- |                                |  |
|--------------------------------|--|
| <b>a. limited partnership.</b> | <b>c. limited liability partnership.</b> |
| <b>b. general partnership.</b> | <b>d. franchise partnership.</b>         |
- \_\_\_\_\_ 8. What major advantage does a partnership have over a sole proprietorship?
- The responsibility for the business is shared.
  - The business is easy to start up.
  - The partners are not responsible for the business debts.
  - The business is easy to sell.
- \_\_\_\_\_ 9. Which of the following statements about partnerships is true?
- In a limited partnership, each partner is liable for the company's actions.
  - In a limited partnership, partners cannot lose money they have invested.
  - In a limited liability partnership, only one partner manages the business.
  - In a limited liability partnership, all partners have some limitations from liability.
- \_\_\_\_\_ 10. A major advantage of a franchise is that
- the parent company has strict operating standards.
  - the franchisee can launch new product lines.
  - the parent company provides guidance on running the business.
  - the franchisee can choose their own suppliers.

# Objectives

# ECONOMICS

- 1. Explain the characteristics of corporations.**
- 2. Analyze the advantages of incorporation.**
- 3. Analyze the disadvantages of incorporation.**
- 4. Compare and contrast corporate combinations.**
- 5. Describe the role of multinational corporations.**



CHAPTER  
**8**  
SECTION 3

## QUIZ A

## Corporations, Mergers, and Multinationals

3

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |   |
|--|---|
| _____ 1. portion of corporate profits paid to stockholders   | <b>a. bond</b>                                |
| _____ 2. the joining of two or more firms competing in the same industry with the same good or service | <b>b. dividend</b>                            |
| _____ 3. combination of more than three businesses that produce unrelated goods and services           | <b>c. stock</b>                               |
| _____ 4. certificate representing ownership in a company   | <b>d. conglomerate</b>                        |
| _____ 5. contract issued by a corporation promising to repay the amount it has borrowed                | <b>e. horizontal merger</b>                   |
| _____ 6. a legal entity owned by stockholders  | <b>f. limited liability corporation (LLC)</b> |
|  | <b>g. corporation</b>                         |
|  | <b>h. certificate of incorporation</b>        |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. What is a certificate of incorporation?
- the taxes a stockholder must pay after selling stock
  - a license to form a corporation issued by the state government
  - a report filed with the Securities and Exchange Commission
  - the stocks representing a majority interest in a corporation
- \_\_\_\_\_ 8. What percentage of the net income earned in the United States is generated by corporations?
- |               |               |
|---------------|---------------|
| a. 28 percent | c. 60 percent |
| b. 45 percent | d. 84 percent |
- \_\_\_\_\_ 9. What does the limited liability of the owners of stock in a corporation mean?
- The corporation is not responsible for the private debts of the stockholders.
  - The managers hired by the corporation are not responsible for its debts.
  - The stockholders can lose only the money they have invested.
  - The corporation can raise money by selling more shares of stock.
- \_\_\_\_\_ 10. Which of the following statements is true about vertical mergers?
- Firms are involved in different stages of producing complementary products.
  - Firms are involved in different stages of producing the same good or service.
  - Firms compete in different markets with the same good or service.
  - Firms compete in the same market, but with a different good or service.



# Objectives

# ECONOMICS

1. **Identify** the different types of cooperative organizations.
2. **Understand** the purpose of nonprofit organizations, including professional and business organizations.



## A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                                     |
|---|-------------------------------------|
| _____ 1. a nonprofit organization that promotes the interests of a particular industry                | <b>a. consumer cooperative</b>      |
| _____ 2. a retail outlet owned and operated by its members  | <b>b. producer cooperative</b>      |
| _____ 3. organizations such as museums, the Red Cross, and churches that promote a benefit to society | <b>c. nonprofit organization</b>    |
| _____ 4. an agricultural marketing organization that helps members sell their products                | <b>d. trade association</b>         |
| _____ 5. an organization that promotes the interests of people in a particular occupation             | <b>e. business association</b>      |
| _____ 6. an organization that promotes the collective interests of a group of similar companies       | <b>f. service cooperative</b>       |
|   | <b>g. professional organization</b> |
|   | <b>h. foundation</b>                |

## B. Main Ideas

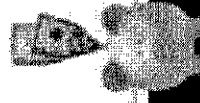
**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. The function of a consumer or purchasing cooperative business is to
- obtain lower prices for members.
  - work to improve the image and working conditions of its members.
  - save income taxes for members.
  - sell the goods and services produced by members.
- \_\_\_\_\_ 8. A common characteristic of all nonprofit organizations is that they
- benefit the public.
  - are national in scope.
  - have no capital.
  - pay no income tax.
- \_\_\_\_\_ 9. The main activity of a producer cooperative is
- buying products for its members.
  - marketing products for its members.
  - producing products for its members.
  - donating products for its members.
- \_\_\_\_\_ 10. Cooperative organizations are controlled by
- the state government.
  - their shareholders.
  - the membership.
  - the board of directors.

# Objectives

# ECONOMICS

1. Describe how trends in the labor force are tracked.
2. Analyze past and present occupational trends.
3. Summarize how the U.S. labor force is changing.
4. Explain trends in the wages and benefits paid to U.S. workers.



## A. Key Terms and Concepts

**Directions:** Complete each statement with the correct term from this section.

1. Temporary and part-time jobs are known as \_\_\_\_\_
2. The practice of using an outside supplier to do jobs that used to be done by a company's own workers is called \_\_\_\_\_
3. The theory that learning increases the efficiency of production is called the \_\_\_\_\_
4. The theory that a college degree identifies people who may be good employees is called the \_\_\_\_\_
5. All nonmilitary people who are employed or unemployed make up the \_\_\_\_\_
6. Foreign-born workers who are allowed to live in the United States temporarily are called \_\_\_\_\_

## B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. Why are U.S. firms moving manufacturing jobs overseas?
  - a. Labor costs less overseas.
  - b. Transportation is cheaper overseas.
  - c. More skilled workers are available overseas.
  - d. Goods are transported overseas when they are finished.
- \_\_\_\_\_ 8. Which of the following groups is counted in employment statistics?
  - a. stay-at-home parents who do volunteer work
  - b. full-time students with part-time jobs
  - c. people who work 15 or more hours without pay in a family business
  - d. retirees who continue to serve on a board of directors
- \_\_\_\_\_ 9. How have the real wages of U.S. workers changed since 1980?

a. gone up for all workers	c. gone down for all workers
b. gone up for only college graduates	d. gone up for only non-college graduates
- \_\_\_\_\_ 10. To offset rising benefit costs, many employers
  - a. fire immigrant workers.
  - b. close one day a week.
  - c. cut wages by 50 percent.
  - d. hire independent contractors.

# Objectives

# ECONOMICS

1. **Analyze** how supply and demand in the labor market affect wage levels.
2. **Describe** how skill levels and education affect wage levels.
3. **Explain** how laws against wage discrimination affect wage levels.
4. **Identify** other factors affecting wage levels, such as minimum wage and workplace safety laws.



CHAPTER  
**9**  
SECTION 2

QUIZ A  
**Labor and Wages**

3

**A. Key Terms and Concepts**

**Directions:** Complete each statement with the correct term from this section.

1. The wage rate that is set when the supply of workers meets the demand for workers is called the \_\_\_\_\_
2. The unofficial barrier that prevents some women and minorities from advancing in organizations is called the \_\_\_\_\_
3. The practice of negotiating labor contracts that keep unnecessary workers on a payroll is \_\_\_\_\_
4. Because demand for labor is set by the demand for another good or service, it is called a \_\_\_\_\_
5. An organization of workers that tries to improve working conditions for its members is a \_\_\_\_\_
6. Teachers and doctors are categorized as \_\_\_\_\_

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

7. What is the basic economic principle that decides how high wages will be?  
\_\_\_\_\_
  - a. Employers will not pay more than a worker is worth.
  - b. People who want jobs will find them.
  - c. Employers will hire the cheapest people.
  - d. Supply and demand control wages.
8. Minimum wage laws have the effect of  
\_\_\_\_\_
  - a. raising wages of individual laborers.
  - b. increasing demand for skilled workers.
  - c. increasing equilibrium wage.
  - d. encouraging workers to organize.
9. What factors can affect wages?  
\_\_\_\_\_
 

a. minimum wage laws	c. labor unions
b. safety laws	d. all of the above
10. Generally one of the major differences between union and nonunion workers is that union workers  
\_\_\_\_\_
 

a. have more education.	c. have more skills and training.
b. are more productive employees.	d. earn more for similar work.

# Objectives

# ECONOMICS

1. Describe why American workers have formed labor unions.
2. Summarize the history of the labor movement in the United States.
3. Analyze reasons for the decline of the labor movement.
4. Explain how labor and management negotiate contracts.



CHAPTER  
**9**  
SECTION 3

## QUIZ A

## Organized Labor

3

### A. Key Terms and Concepts

**Directions:** Write the letter of the correct answer in the blank provided.

- |   |  |
|---|--|
| <p>_____ 1. the process by which union and company representatives meet to negotiate a new labor contract</p> <p>_____ 2. a settlement technique in which a third party reviews the case and imposes a legally binding decision</p> <p>_____ 3. the historic effort by labor unions to improve working conditions and compensation for workers</p> <p>_____ 4. an organized work stoppage intended to force an employer to address union demands</p> <p>_____ 5. a measure that bans mandatory union membership</p> <p>_____ 6. a person who performs manual labor and earns an hourly wage</p> | <p><b>a. labor movement</b></p> <p><b>b. white-collar worker</b></p> <p><b>c. arbitration</b></p> <p><b>d. right-to-work law</b></p> <p><b>e. strike</b></p> <p><b>f. mediation</b></p> <p><b>g. collective bargaining</b></p> <p><b>h. blue-collar worker</b></p> |
|---|--|

### B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. Which legislation enacted in 1947 may have been a reason for the decline in union membership?
- |  |                                    |
|--|------------------------------------|
| <b>a. the Fair Labor Standards Act</b> | <b>c. the Taft-Hartley Act</b>     |
| <b>b. the Wagner Act</b>               | <b>d. the Norris-LaGuardia Act</b> |
- \_\_\_\_\_ 8. What is one of a labor union's primary goals?
- |   |
|---|
| <b>a. to make decisions about the workplace</b> |
| <b>b. to gain promotions for workers</b>        |
| <b>c. to keep nonunion workers out of jobs</b>  |
| <b>d. to secure its members' jobs</b>           |
- \_\_\_\_\_ 9. What is considered a negative impact of a strike on an employer?
- |                           |                            |
|---------------------------|----------------------------|
| <b>a. loss of profits</b> | <b>c. loss of jobs</b>     |
| <b>b. loss of wages</b>   | <b>d. all of the above</b> |
- \_\_\_\_\_ 10. In which sectors has union membership grown in recent years?
- |                               |                                     |
|-------------------------------|-------------------------------------|
| <b>a. private sector only</b> | <b>c. public and private sector</b> |
| <b>b. public sector only</b>  | <b>d. neither sector</b>            |



# Objectives

# ECONOMICS

1. Describe the three uses of money.
2. List the six characteristics of money.
3. Analyze the sources of money's values.



CHAPTER  
**10**  
 SECTION 1

**Money**

3

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |                              |
|--|------------------------------|
| _____ 1. anything that is used to determine value  | <b>a. barter</b>             |
| _____ 2. the direct exchange of one good for another   | <b>b. currency</b>           |
| _____ 3. something that serves as a way to compare values                                    | <b>c. store of value</b>     |
| _____ 4. something that keeps its worth  | <b>d. medium of exchange</b> |
| _____ 5. the coins and paper bills used as money in a society                                | <b>e. unit of account</b>    |
| _____ 6. objects that have value in themselves as well as their value as a means of exchange | <b>f. fiat money</b>         |
|  | <b>g. commodity money</b>    |
|  | <b>h. custom</b>             |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. The fact that money can withstand the wear and tear that comes from being used over and over again is a measure of its
- |                        |                       |
|------------------------|-----------------------|
| <b>a. portability.</b> | <b>c. durability.</b> |
| <b>b. currency.</b>    | <b>d. uniformity.</b> |
- \_\_\_\_\_ 8. Divisibility means that money can be easily divided into
- |  |
|--|
| <b>a. smaller units of value.</b>              |
| <b>b. currency and coins.</b>                  |
| <b>c. representative money and fiat money.</b> |
| <b>d. different units of exchange.</b>         |
- \_\_\_\_\_ 9. The difference between representative money and fiat money is that
- |   |
|---|
| <b>a. representative money can be converted into silver or gold; fiat money cannot.</b>     |
| <b>b. representative money is worth more than fiat money.</b>                               |
| <b>c. fiat money is counted in coins; representative money is counted in paper dollars.</b> |
| <b>d. fiat money is more durable than representative money.</b>                             |
- \_\_\_\_\_ 10. Two units of the same type of money must be the same in terms of what they will buy, which is the principle of
- |                          |                       |
|--------------------------|-----------------------|
| <b>a. functionality.</b> | <b>c. pricing.</b>    |
| <b>b. value.</b>         | <b>d. uniformity.</b> |

# Objectives

# ECONOMICS

- 1. Describe the shifts between centralized and decentralized banking before the Civil War.**
- 2. Explain how government reforms stabilized the banking system in the later 1800s.**
- 3. Describe developments in banking in the early 1900s.**
- 4. Explain the causes of two recent banking crises.**



CHAPTER  
**10**  
SECTION 2

## QUIZ A

## The History of American Banking

3

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |                         |
|--|-------------------------|
| _____ 1. an institution for receiving, keeping, and lending money                  | <b>a. gold standard</b> |
| _____ 2. monetary system valuing paper money and coins in specific amounts of gold | <b>b. bank</b>          |
| _____ 3. panic in which many people try to redeem paper money at the same time     | <b>c. greenback</b>     |
| _____ 4. a paper money that was issued by the U.S. Treasury during the Civil War   | <b>d. bank run</b>      |
| _____ 5. the seizure of property from borrowers                                    | <b>e. foreclosure</b>   |
| _____ 6. a bank that can lend to other banks                                       | <b>f. national bank</b> |
|  | <b>g. central bank</b>  |
|  | <b>h. member bank</b>   |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. In the early years of the United States, the Federalists favored
- |  |   |
|--|---|
| <b>a. the use of banks to limit trade.</b> | <b>c. state control of their own banks.</b> |
| <b>b. a centralized banking system.</b>    | <b>d. repeal of the gold standard.</b>      |
- \_\_\_\_\_ 8. During the Free Banking Era, banking in the United States was dominated by which of the following?
- |  |                                  |
|--|----------------------------------|
| <b>a. small banks with no charters</b> | <b>c. state-chartered banks</b>  |
| <b>b. Bank of the United States</b>    | <b>d. savings and loan banks</b> |
- \_\_\_\_\_ 9. As part of the nation's recovery from the Great Depression of the 1930s, the banking system was reformed in which of the following ways?
- |   |
|---|
| <b>a. The government paid off loans for large corporations.</b> |
| <b>b. The Federal Reserve Banks were consolidated.</b>          |
| <b>c. Banks were deregulated by the government.</b>             |
| <b>d. The banking system was taken off the gold standard.</b>   |
- \_\_\_\_\_ 10. Which of the following caused the savings and loan crisis?
- |   |
|---|
| <b>a. an overall economic slowdown</b>              |
| <b>b. inadequate money supply</b>                   |
| <b>c. overly strict regulation</b>                  |
| <b>d. high interest rates, bad loans, and fraud</b> |

# Objectives

# ECONOMICS

1. **Explain** how the money supply in the United States is measured.
2. **Describe** the functions of financial institutions.
3. **Identify** different types of financial institutions.
4. **Describe** the changes brought about by electronic banking.



CHAPTER  
**10**  
SECTION 3

## QUIZ A

## Banking Today

3

### A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                                      |
|---|--------------------------------------|
| _____ 1. device that allows its holder to buy goods based on a promise to pay                     | <b>a. default</b>                    |
| _____ 2. specific type of loan used to buy real estate  | <b>b. money supply</b>               |
| _____ 3. system that keeps only a small part of a deposit on hand and lends out the rest          | <b>c. mortgage</b>                   |
| _____ 4. failure to pay back a loan   | <b>d. credit card</b>                |
| _____ 5. device that allows its holder to have payment for goods deducted from a checking account | <b>e. debit card</b>                 |
| _____ 6. all the money available in an economy  | <b>f. demand deposit</b>             |
|   | <b>g. fractional reserve banking</b> |
|   | <b>h. creditor</b>                   |

### B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. What is the difference between how simple and compound interest are paid?
- simple: as long as money is in bank; compound: a year at a time
  - simple: once a year; compound: quarterly
  - simple: on principal only; compound: on both principal and interest
  - simple: on savings accounts only; compound: on all other accounts
- \_\_\_\_\_ 8. What is a credit union?
- an institution that takes deposits but does not make loans
  - a bank that specializes in retirement savings accounts
  - a savings and loan that provides credit for businesses
  - a cooperative lending institution for a particular group
- \_\_\_\_\_ 9. How does a bank make most of its profit on its business?
- by collecting fees on credit card purchases
  - by collecting fees on safe deposit boxes
  - by receiving fees from the government for handling accounts
  - by paying out less in interest on deposits than it earns in interest on loans
- \_\_\_\_\_ 10. Why are funds in checking accounts called demand deposits?
- They go down in value when demand for them decreases.
  - They are available whenever the account holder wants them.
  - They go up in value as demand for them increases.
  - They are kept without interest by the bank.

# Objectives

# ECONOMICS

1. Describe how investing contributes to the free enterprise system.
2. Explain how the financial system brings together savers and borrowers.
3. Explain the role of financial intermediaries in the financial system.
4. Identify the trade-offs among liquidity, return, and risk.



CHAPTER  
**11**  
SECTION 1

## QUIZ A

## Saving and Investing

3

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |                            |
|--|----------------------------|
| _____ 1. redirecting resources for future benefit                                      | <b>a. return</b>           |
| _____ 2. arrangement that allows the transfer of money<br>between savers and borrowers | <b>b. portfolio</b>        |
| _____ 3. claim on the property of a borrower   | <b>c. investment</b>       |
| _____ 4. spreading out investments to reduce risk                                      | <b>d. prospectus</b>       |
| _____ 5. collection of financial assets  | <b>e. diversification</b>  |
| _____ 6. money an investor receives above and beyond<br>the money initially invested   | <b>f. financial system</b> |
|  | <b>g. hedge fund</b>       |
|  | <b>h. financial asset</b>  |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. What is a prospectus?
- |                                |                                       |
|--------------------------------|---------------------------------------|
| a. a pool of investors' money  | c. a collection of financial assets   |
| b. an individual's investments | d. an investment report for investors |
- \_\_\_\_\_ 8. Why is a certificate of deposit considered such a safe investment?
- |                                     |                                       |
|-------------------------------------|---------------------------------------|
| a. It is issued by a savings bank.  | c. It pays a high rate of interest.   |
| b. It is insured by the government. | d. It has a high degree of liquidity. |
- \_\_\_\_\_ 9. What is a mutual fund?
- |  |
|--|
| a. a device for pooling the savings of many investors and investing in a variety of ways               |
| b. a group that makes loans to investors who sometimes have a history of not paying back their loans   |
| c. a group that borrows money from many different sources  |
| d. a company that collects money from people to insure their families against the loss of their income |
- \_\_\_\_\_ 10. How does a pension fund act as an investor?
- |   |
|---|
| a. The fund lends money to those who are also investors in it.                  |
| b. The company invests the money collected from employers and/or employees.     |
| c. Employees' money is used to finance the company.                             |
| d. The fund uses its own money to invest, not the money that is invested in it. |



# Objectives

# ECONOMICS

1. Describe the characteristics of bonds as financial assets.
2. Identify different types of bonds.
3. Describe the characteristics of other types of financial assets.
4. List four different types of financial asset markets.



CHAPTER  
**11**  
SECTION 2

**QUIZ B**

**Bonds and Other Financial Assets**

**2**

**A. Key Terms and Concepts**

**Directions:** Match each item with one of the descriptions below.

- |        |  |                          |
|--------|--|--------------------------|
| ___ 1. | amount to be paid to bondholder at maturity                      | <b>a. corporate bond</b> |
| ___ 2. | time when bond must be paid off                                  | <b>b. maturity</b>       |
| ___ 3. | bond sold in small amounts by the U.S. government                | <b>c. municipal bond</b> |
| ___ 4. | bond sold by a state or local government                         | <b>d. par value</b>      |
| ___ 5. | annual rate a bondholder will earn if a bond is held to maturity | <b>e. savings bond</b>   |
| ___ 6. | a bond sold by a corporation as a way to borrow money            | <b>f. yield</b>          |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

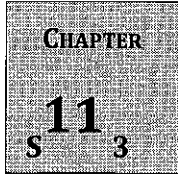
- \_\_\_ 7. Why would investors buy junk bonds?
- Junk bonds are safe investments.
  - Junk bonds are investment grade.
  - Junk bonds pay higher interest.
  - Junk bonds are sold by interesting firms.
- \_\_\_ 8. Which of these is the most risky for investors?
- |                           |                           |
|---------------------------|---------------------------|
| <b>a. corporate bonds</b> | <b>c. Treasury bonds</b>  |
| <b>b. savings bonds</b>   | <b>d. municipal bonds</b> |
- \_\_\_ 9. What is gained and lost when switching from a short-term to a long-term CD?
- |   |   |
|---|---|
| <b>a. gained: risk; lost: return</b>        | <b>c. gained: return; lost: risk</b>        |
| <b>b. gained: interest; lost: liquidity</b> | <b>d. gained: liquidity; lost: interest</b> |
- \_\_\_ 10. What is usually the relationship between a bond's rating and the interest rate a company pays?
- The rating is the same as the rate.
  - Higher ratings mean lower interest.
  - There is no relationship.
  - Higher ratings mean higher interest.

# Objectives

# ECONOMICS

1. Identify the benefits and risks of buying stocks.
2. Describe how stocks are traded.
3. Explain how stock performance is measured.
4. Describe the Great Crash of 1929 and more recent stock market events.





## The Stock Market

3

### A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                          |
|---|--------------------------|
| _____ 1. period during which the stock market falls                                 | <b>a. capital gains</b>  |
| _____ 2. business that specializes in trading stocks                                | <b>b. brokerage firm</b> |
| _____ 3. difference between a stock's higher selling price and a lower buying price | <b>c. option</b>         |
| _____ 4. making high-risk investments with borrowed money                           | <b>d. bear market</b>    |
| _____ 5. contract that gives an investor the right to buy or sell a stock           | <b>e. speculation</b>    |
| _____ 6. a portion of stock   | <b>f. share</b>          |
|   | <b>g. bull market</b>    |
|   | <b>h. stock exchange</b> |

### B. Main Ideas

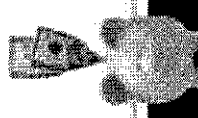
**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. What does the New York Stock Exchange do?
- buys and sells stocks but not bonds for wealthy private investors
  - handles stock and bond trading on the Internet only
  - arranges stock and bond trading of many large and established companies
  - arranges the buying and selling of blue chip stocks only
- \_\_\_\_\_ 8. A day trader tries to make a profit by investing
- mainly in blue chip stocks.
  - only with borrowed money.
  - heavily when risk is very low.
  - based on minute-by-minute price changes.
- \_\_\_\_\_ 9. What outcome of the Great Crash in 1929 lasted for over 50 years?
- Ordinary people were afraid to invest in the stock market.
  - Millions of people were out of work.
  - Financial ruin affected millions of people who had not been investors.
  - Money was hard to borrow.
- \_\_\_\_\_ 10. What are the Dow Jones Industrial Average and the S&P 500 Index?
- averages of stocks and bonds that are traded often
  - cumulative records of all stocks sold on the NYSE and other exchanges
  - indexes that track the sales of all the stocks and bonds in the United States
  - indexes that show the performance of limited but representative stocks

# Objectives

# ECONOMICS

1. **Explain** how gross domestic product (GDP) is calculated.
2. **Distinguish** between nominal and real GDP.
3. **List** the main limitations of GDP.
4. **Identify** factors that influence GDP.
5. **Describe** other output and income measures.



## A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |  |
|---|--|
| _____ 1. a system that collects macroeconomic statistics on production, income, investment, and savings | <b>a. gross domestic product (GDP)</b> |
| _____ 2. the dollar value of all final goods and services produced within a country in a given year     | <b>b. intermediate goods</b>           |
| _____ 3. consumer goods that last for a long time   | <b>c. price level</b>                  |
| _____ 4. loss of value of capital equipment that results from normal wear and tear                      | <b>d. durable goods</b>                |
| _____ 5. the average of all prices in the economy   | <b>e. national income accounting</b>   |
| _____ 6. products used in the production of final goods   | <b>f. depreciation</b>                 |
|   | <b>g. nondurable goods</b>             |
|   | <b>h. aggregate demand</b>             |

## B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. How do economists calculate GDP for one year using the expenditure approach?
- add together all the amounts spent on final goods and services
  - add up all the incomes received
  - add the amounts spent on goods and services to the incomes received
  - subtract the amounts received as income from the goods and services
- \_\_\_\_\_ 8. What is the difference between real GDP and nominal GDP?
- Real GDP is accurate to hundreds of dollars; nominal GDP is accurate to thousands of dollars.
  - Real GDP includes nonmarket activities; nominal GDP has no nonmarket activities.
  - Real GDP is based on constant prices; nominal GDP is based on the current year's prices.
  - Real GDP allows for depreciation; nominal GDP allows for no depreciation.
- \_\_\_\_\_ 9. Which of the following is a nondurable good?
- |                    |             |
|--------------------|-------------|
| a. washing machine | c. bicycle  |
| b. air conditioner | d. gasoline |
- \_\_\_\_\_ 10. What is the underground economy?
- the amount spent for environmental cleanup
  - the goods and services people make or do themselves
  - income that is not reported to the government
  - costs of vacations and sick pay

# Objectives

# ECONOMICS

1. **Identify** the phases of a business cycle.
2. **Describe** four key factors that keep the business cycle going.
3. **Explain** how economists forecast fluctuations in the business cycle.
4. **Analyze** the impact of business cycles in U.S. history.



CHAPTER  
**12**  
 SECTION 2

**Business Cycles**

**3**

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |                              |
|--|------------------------------|
| _____ 1. a period of macroeconomic expansion followed by a period of contraction | <b>a. peak</b>               |
| _____ 2. a steady, long-term increase in real GDP                                | <b>b. economic growth</b>    |
| _____ 3. the lowest point in an economic contraction                             | <b>c. recession</b>          |
| _____ 4. the highest point in an economic expansion                              | <b>d. trough</b>             |
| _____ 5. an extended economic contraction  | <b>e. business cycle</b>     |
| _____ 6. a decline in real GDP combined with a rise in inflation                 | <b>f. stagflation</b>        |
|  | <b>g. leading indicators</b> |
|  | <b>h. contraction</b>        |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. What typically happens to consumer and business spending when interest rates go up?
- Both types of spending increase.
  - Consumer spending increases and business spending decreases.
  - Both types of spending decrease.
  - Business spending increases and consumer spending decreases.
- \_\_\_\_\_ 8. Which of the following helped the U.S. economy recover from the Great Depression?
- |                 |                    |
|-----------------|--------------------|
| a. World War I  | c. the Korean War  |
| b. World War II | d. the Vietnam War |
- \_\_\_\_\_ 9. Which of the following was a lasting effect on the U.S. economy after the 1970s OPEC oil embargo?
- |                           |                             |
|---------------------------|-----------------------------|
| a. higher gasoline prices | c. more fuel-efficient cars |
| b. lower interest rates   | d. reduced taxes            |
- \_\_\_\_\_ 10. What are the leading economic indicators supposed to predict?
- |                    |                          |
|--------------------|--------------------------|
| a. business cycles | c. consumer expectations |
| b. stagflation     | d. nonmarket activities  |



# Objectives

# ECONOMICS

1. **Analyze** how economic growth is measured.
2. **Explain** what capital deepening is and how it contributes to economic growth.
3. **Analyze** how saving and investment are related to economic growth.
4. **Summarize** the impact of population growth, government, and foreign trade on economic growth.
5. **Identify** the causes and impact of technological progress.



CHAPTER  
**12**  
 SECTION 3

**Economic Growth**

3

**A. Key Terms and Concepts**

**Directions:** Complete each statement with the correct term from this section.

1. Real GDP divided by the total population is \_\_\_\_\_.
2. Increasing the amount of capital per worker is \_\_\_\_\_.
3. An increase in efficiency gained from producing more output without using more inputs is \_\_\_\_\_.
4. Income not used for consumption is \_\_\_\_\_.
5. The proportion of disposable income saved is the \_\_\_\_\_.

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 6. How can an economist compare the standard of living in two different countries?
 

a. by comparing real GDP per capita	c. by seeing how the GDP is distributed
b. by looking at the quality of life	d. by measuring physical capital
- \_\_\_\_\_ 7. How can a trade deficit increase the productivity of an economy?
 

a. by causing people to save	c. by promoting capital deepening
b. by building up a large amount of debt	d. by encouraging short-term spending
- \_\_\_\_\_ 8. If the government uses tax revenue to pay for long-term investments such as roads or other infrastructure, what happens to the economy?
 

a. Investment decreases.	c. Taxes increase.
b. Investment increases.	d. Taxes decrease.
- \_\_\_\_\_ 9. What is one way to measure technological progress?
  - a. increases in capital minus increases in labor
  - b. increases in labor minus increases in capital
  - c. total growth plus increase in capital and labor
  - d. total growth minus increases in capital and labor
- \_\_\_\_\_ 10. What is labor productivity?
  - a. the total number of workers in an economy
  - b. the amount of output produced per worker
  - c. the total amount of work produced in an economy
  - d. the average training per worker

# Objectives

# ECONOMICS

- 1. Differentiate between frictional, seasonal, structural, and cyclical unemployment.**
- 2. Describe how full employment is measured.**
- 3. Explain why full employment does not mean that every worker is employed.**



CHAPTER  
**13**  
SECTION 1

## QUIZ A

## Unemployment

3

### A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all choices will be used.

- |  |                                   |
|--|-----------------------------------|
| _____ 1. situation that occurs when a period of steady work is followed by a period of unemployment each year        | <b>a. globalization</b>           |
| _____ 2. situation that occurs when unemployment rises during economic downturns and falls when the economy improves | <b>b. cyclical unemployment</b>   |
| _____ 3. situation that occurs when people take time to find a job   | <b>c. discouraged worker</b>      |
| _____ 4. situation that occurs when the skills of workers do not match the jobs that are available                   | <b>d. structural unemployment</b> |
| _____ 5. the shift from local to global markets  | <b>e. seasonal unemployment</b>   |
| _____ 6. the percentage of the labor force that is unemployed  | <b>f. unemployment rate</b>       |
|  | <b>g. underemployed</b>           |
|  | <b>h. frictional unemployment</b> |

### B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. How can changes in technology or consumer demand affect the unemployment rate?
- by making it difficult for people to buy what they want
  - by changing the number or kinds of jobs available
  - by creating a demand for things that are not available
  - by making it possible for some people to work fewer hours
- \_\_\_\_\_ 8. What can happen to unemployment when the economy slows down?
- It rises because the demand for labor goes down.
  - It falls because the demand for labor goes up.
  - It rises because the cost of labor goes up.
  - It rises because production speeds up.
- \_\_\_\_\_ 9. Why don't government planners try to end seasonal unemployment?
- It would eliminate too many jobs.
  - Many people do not want to work all year.
  - It would be too expensive.
  - It is a natural part of a healthy economy.
- \_\_\_\_\_ 10. What does "full employment" mean?
- There is no cyclical unemployment.
  - Every person who wants to work has a job.
  - There is no structural unemployment.
  - Those who want to work have full-time jobs.

# Objectives

# ECONOMICS

1. Explain the effects of rising prices.
2. Understand the use of price indexes to compare changes in prices over time.
3. Identify the causes and effects of inflation.
4. Describe recent trends in the inflation rate.



## A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                             |
|---|-----------------------------|
| _____ 1. a general increase in prices   | <b>a. price index</b>       |
| _____ 2. income that does not increase even when prices go up                                 | <b>b. wage-price spiral</b> |
| _____ 3. a sustained drop in the prices of goods  | <b>c. fixed income</b>      |
| _____ 4. a measurement that shows how the average cost of goods or services changes over time | <b>d. inflation</b>         |
| _____ 5. rising wages causing higher prices which cause higher wages                          | <b>e. deflation</b>         |
| _____ 6. idea that too much money in the economy causes inflation                             | <b>f. purchasing power</b>  |
|   | <b>g. hyperinflation</b>    |
|   | <b>h. quantity theory</b>   |

## B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

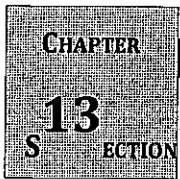
- \_\_\_\_\_ 7. What is considered one cause of inflation?
- |   |                                       |
|---|---------------------------------------|
| <b>a. Demand and supply are in equilibrium.</b>           | <b>c. Employment is increased.</b>    |
| <b>b. Producers raise prices to meet increased costs.</b> | <b>d. The money supply decreases.</b> |
- \_\_\_\_\_ 8. Which cause of inflation occurs when the demand for goods exceeds the existing supply?
- |                                       |                                       |
|---------------------------------------|---------------------------------------|
| <b>a. growth in the money supply</b>  | <b>c. growth in interest rates</b>    |
| <b>b. changes in aggregate demand</b> | <b>d. changes in aggregate supply</b> |
- \_\_\_\_\_ 9. In general, what is the relationship between the inflation rate and the unemployment rate?
- |   |
|---|
| <b>a. Inflation rises as unemployment drops.</b>              |
| <b>b. Inflation drops as unemployment drops.</b>              |
| <b>c. Inflation falls at a slower rate than unemployment.</b> |
| <b>d. Inflation rises at a faster rate than unemployment.</b> |
- \_\_\_\_\_ 10. If a person has money invested at 9 percent and the rate of inflation is 5 percent, how much return is he or she actually making on his or her investment?
- |                      |                     |
|----------------------|---------------------|
| <b>a. 14 percent</b> | <b>c. 4 percent</b> |
| <b>b. 9 percent</b>  | <b>d. 1 percent</b> |

# Objectives

# ECONOMICS

1. Define who is poor, according to government standards.
2. Describe the causes of poverty.
3. Analyze the distribution of income in the United States.
4. Summarize government policies intended to combat poverty.





## QUIZ A

## Poverty 3

**A. Key Terms and Concepts**

**Directions:** Complete each statement with the correct term from this section.

1. The amount of money a family needs to pay for minimum needs is the \_\_\_\_\_.
2. The percentage of people who are living in poverty is the \_\_\_\_\_.
3. The program requiring work in exchange for temporary government assistance is called \_\_\_\_\_.
4. The \_\_\_\_\_ shows income distribution in an economy.
5. A \_\_\_\_\_ program provides money for low-income people to buy food.

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 6. How does the U.S. Census Bureau define a family?
  - a. two or more people related by birth, marriage, or adoption who live in the same housing unit
  - b. all people who live in a housing unit regardless of relationship
  - c. a father, mother, and children regardless of where they live
  - d. a father, mother, and children living in the same housing unit
- \_\_\_\_\_ 7. Approximately how much total income did a family of four need to have to be considered above the poverty line in 2006?

a. \$11,275	c. \$16,530
b. \$14,500	d. \$20,500
- \_\_\_\_\_ 8. What age group in the United States has the largest percentage of its members living in poverty?

a. children	c. the middle aged
b. young adults	d. the elderly
- \_\_\_\_\_ 9. All of the following are root causes of poverty except

a. decline in manufacturing jobs.	c. inflation.
b. growth in single-parent families.	d. lack of education.
- \_\_\_\_\_ 10. A major goal of the TANF program was to
  - a. eliminate all cash payments to needy families.
  - b. limit the amount of time a family could receive assistance.
  - c. put antipoverty programs under federal control.
  - d. relieve the effects of racial and gender discrimination.



# Objectives

# ECONOMICS

1. **Identify** the sources of the government's authority to tax.
2. **Describe** types of tax bases and tax structures.
3. **List** the characteristics of a good tax.
4. **Identify** who bears the burden of a tax.



## A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                       |
|---|-----------------------|
| _____ 1. one characteristic of a good tax                                 | a. tax base           |
| _____ 2. a tax in which the percentage paid decreases as income increases | b. revenue            |
| _____ 3. income received by a government                                  | c. progressive tax    |
| _____ 4. a tax in which the percentage paid increases as income increases | d. proportional tax   |
| _____ 5. final burden of a tax  | e. tax                |
| _____ 6. income, property, good, or service that is subject to tax        | f. equity             |
|   | g. incidence of a tax |
|   | h. regressive tax     |

## B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. What gives the U.S. government the right to collect taxes?
- |                                |                                |
|--------------------------------|--------------------------------|
| a. custom of government        | c. the U.S. Constitution       |
| b. state laws in all 50 states | d. an act of the U.S. Congress |
- \_\_\_\_\_ 8. Under a proportional tax, how is income related to the percentage of income that is taxed?
- |  |
|--|
| a. As income rises, percentage taxed rises.            |
| b. As income drops, percentage taxed rises.            |
| c. As income drops, percentage taxed drops.            |
| d. As income rises, percentage taxed remains the same. |
- \_\_\_\_\_ 9. How is tax assessed according to the benefits-received principle?
- |   |   |
|---|---|
| a. Those who receive direct payments of the money the tax generates are the people who pay the tax. | c. One group receives benefits from the tax but another group pays the tax. |
| b. Those who pay the tax receive the benefits the tax provides.                                     | d. All groups receive benefits from the tax but not all groups pay it.      |
- \_\_\_\_\_ 10. On which of the following goods or services might a tax increase be hardest to pass on to customers?
- |              |                             |
|--------------|-----------------------------|
| a. gasoline  | c. automatic car washes     |
| b. groceries | d. prescription medications |

# Objectives

# ECONOMICS

1. Describe the process of paying individual income taxes.
2. Identify the basic characteristics of corporate income taxes.
3. Explain the purpose of Social Security, Medicare, and unemployment taxes.
4. Identify other types of taxes.



CHAPTER  
**14**  
SECTION 2

## QUIZ A

## Federal Taxes

3

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                       |
|---|-----------------------|
| _____ 1. national health insurance program for people over 65             | a. withholding        |
| _____ 2. a set amount that can be subtracted from a person's gross income | b. gift tax           |
| _____ 3. taking out a part of income as it is earned for taxes            | c. tax incentive      |
| _____ 4. the use of taxes to influence behavior                           | d. tax deduction      |
| _____ 5. tax on imported goods  | e. tariff             |
| _____ 6. an amount that can be used by taxpayers to reduce taxable income | f. Medicare           |
|   | g. taxable income     |
|   | h. personal exemption |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. What is the main purpose of federal taxes on tobacco and alcohol products?
- to raise money for the government
  - to make it more expensive to import these products
  - to discourage the use of these products
  - to make it harder for companies to sell these products
- \_\_\_\_\_ 8. What makes the federal income tax a progressive tax?
- The higher the income a person has, the higher the percentage that person pays in tax.
  - A person with a higher income pays more tax, but the percentage is less.
  - Two married people who file their taxes together will pay more taxes than a single person will.
  - Children pay no taxes, regardless of whether they earn a large income.
- \_\_\_\_\_ 9. Who pays unemployment taxes?
- |                           |              |
|---------------------------|--------------|
| a. unemployed people      | c. employers |
| b. the federal government | d. employees |
- \_\_\_\_\_ 10. What is the difference between an estate tax and a gift tax?
- Estate tax is on all inherited money; gift tax is on amounts over \$5,000.
  - Estate tax is paid by heirs; gift tax is paid by both parties of the gift.
  - Estate tax is paid on the assets of someone who died; gift tax is paid on assets given by one living person to another.
  - Estate tax is paid on money and property; gift tax is paid on money.

# Objectives

# ECONOMICS

1. **Distinguish** between mandatory and discretionary spending.
2. **Describe** the major entitlement programs.
3. **Identify** categories of discretionary spending.
4. **Explain** the impact of federal aid to state and local governments.



CHAPTER  
**14**  
SECTION 3

## QUIZ A

## Federal Spending

3

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |                              |
|--|------------------------------|
| _____ 1. social welfare programs from which people benefit if they meet certain eligibility requirements | a. mandatory spending        |
| _____ 2. money lawmakers have a choice about spending  | b. Medicaid                  |
| _____ 3. benefits paid to retired and disabled workers   | c. unemployment compensation |
| _____ 4. medical benefits for low-income families  | d. entitlement               |
| _____ 5. benefits paid to unemployed workers for a limited period of time                                | e. Social Security           |
| _____ 6. money lawmakers are required to spend on certain programs                                       | f. discretionary spending    |
|  | g. revenue                   |
|  | h. Medicare                  |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. Which of the following is a mandatory spending program?
- |                   |                       |
|-------------------|-----------------------|
| a. students loans | c. veterans' pensions |
| b. defense        | d. disaster aid       |
- \_\_\_\_\_ 8. What is one reason the government has limited control over spending?
- As more people qualify for an entitlement program, spending increases.
  - Congress can change the number of people who qualify for a program but not how much they will receive.
  - The government cannot control how much money will be spent on discretionary spending in a given year.
  - Entitlement programs are only a small part of government spending.
- \_\_\_\_\_ 9. What is a "means-tested" program?
- one with no federal entitlements
  - one for which those with higher incomes receive lower or no benefits
  - one that depends on age-related criteria for benefits
  - one that recipients must contribute to in order to qualify for benefits
- \_\_\_\_\_ 10. Why are Social Security and Medicare spending expected to increase?
- The amounts people receive are expected to take a big jump.
  - The baby boomer generation will qualify for both programs.
  - The people who qualify will all receive the maximum benefit.
  - The generation over age 85 will qualify for both programs.

# Objectives

# ECONOMICS

1. **Explain** how states use a budget to plan their spending.
2. **Identify** where state taxes are spent.
3. **List** the major sources of state tax revenue.
4. **Describe** local government spending and sources of revenue.



CHAPTER  
**14**  
SECTION 4

## QUIZ A

## State and Local Taxes and Spending

3

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                             |
|---|-----------------------------|
| _____ 1. situation in which spending is equivalent to revenue | <b>a. personal property</b> |
| _____ 2. spending for major investments such as roads         | <b>b. tax exempt</b>        |
| _____ 3. assets such as land and buildings                    | <b>c. operating budget</b>  |
| _____ 4. spending for day-to-day expenses                     | <b>d. tax assessor</b>      |
| _____ 5. assets such as furniture, boats, and jewelry         | <b>e. balanced budget</b>   |
| _____ 6. cannot be taxed                                      | <b>f. capital budget</b>    |
|   | <b>g. budget</b>            |
|   | <b>h. real property</b>     |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. What is the major source of revenue for most state governments?
- sales and individual income taxes
  - property and gasoline taxes
  - alcohol and tobacco taxes
  - business income and licensing taxes
- \_\_\_\_\_ 8. How do most states finance their capital budget?
- sales or excise taxes
  - long-term borrowing or sale of bonds
  - income and property taxes
  - personal property or inheritance taxes
- \_\_\_\_\_ 9. What are the main sources of revenue for local governments?
- |                          |                          |
|--------------------------|--------------------------|
| <b>a. state grants</b>   | <b>c. income tax</b>     |
| <b>b. federal grants</b> | <b>d. property taxes</b> |
- \_\_\_\_\_ 10. For which expense do state governments generally provide financial help to their local governments?
- |  |                                 |
|--|---------------------------------|
| <b>a. parks and recreation,</b>        | <b>c. election supervision</b>  |
| <b>b. trash and garbage collection</b> | <b>d. public school systems</b> |



# Objectives

# ECONOMICS

1. Describe how the federal budget is created.
2. Analyze the impact of expansionary and contractionary fiscal policy on the economy.
3. Identify the limits of fiscal policy.



CHAPTER  
**15**  
SECTION 1

## QUIZ A

## Understanding Fiscal Policy

3

### A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                                   |
|---|-----------------------------------|
| _____ 1. a twelve-month period that is used for financial calculations        | <b>a. appropriations bill</b>     |
| _____ 2. a document indicating federal spending for the next year             | <b>b. fiscal policy</b>           |
| _____ 3. fiscal procedures that try to decrease output                        | <b>c. expansionary policies</b>   |
| _____ 4. the government's use of taxing and spending to influence the economy | <b>d. federal budget</b>          |
| _____ 5. fiscal procedures that try to increase output                        | <b>e. contractionary policies</b> |
| _____ 6. a bill that authorizes the government to spend a specific amount     | <b>f. stop-gap funding</b>        |
|   | <b>g. entitlements</b>            |
|   | <b>h. fiscal year</b>             |

### B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. The role of the Office of Management and Budget is
- to manage the collection of all U.S. taxes.
  - to make compromises between the federal and state budgets.
  - to manage the federal government's budget.
  - to suggest new rules for the Internal Revenue Service.
- \_\_\_\_\_ 8. Why does the government sometimes use an expansionary fiscal policy?
- to encourage growth and try to stop or prevent a recession
  - to expand the government's control over non-defense spending
  - to control the demand for consumer goods and services
  - to slow the economy because fast-growing demand can exceed supply
- \_\_\_\_\_ 9. It is difficult for the government to increase or decrease spending because
- most government officials are reluctant to authorize these changes.
  - more than half of all government spending is on entitlements.
  - taxpayers get upset when the government stops paying for something.
  - states may have different goals and may not agree with the changes.
- \_\_\_\_\_ 10. What is one of the major uses of government fiscal policy?
- to keep the amount of taxes collected directly from residents low
  - to prevent big changes in the level of GDP
  - to allow the government to control its own spending on programs
  - to let lawmakers make changes in economic decisions

# Objectives

# ECONOMICS

1. **Compare and Contrast** classical economics and Keynesian economics.
2. **Explain** the basic principles of supply-side economics.
3. **Describe** the role that fiscal policy has played in American history.



CHAPTER	QUIZ A
<b>15</b>	<b>Fiscal Policy Options</b>
SECTION 2	<b>3</b>

### A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |   |
|---|---|
| <p>_____ 1. the idea that every dollar change in fiscal policy is reflected in a greater change in the economy</p> <p>_____ 2. based on the idea that markets self-regulate</p> <p>_____ 3. the maximum output that can be sustained for a period of time by the economy</p> <p>_____ 4. focuses on taxation as a tool of fiscal policy</p> <p>_____ 5. based on the idea that the economy is driven by demand</p> <p>_____ 6. proposes that the government can and should regulate the economy</p> | <p><b>a. productive capacity</b></p> <p><b>b. supply-side economics</b></p> <p><b>c. Laffer Curve</b></p> <p><b>d. classical economics</b></p> <p><b>e. Keynesian economics</b></p> <p><b>f. automatic stabilizer</b></p> <p><b>g. multiplier effect</b></p> <p><b>h. demand-side economics</b></p> |
|---|---|

### B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. What problem did the Great Depression highlight that classical economics did not address?
- how often such an event would happen worldwide
  - how much the government should spend to revive the economy
  - how long the market would take to return to equilibrium
  - how many people would lose their jobs or homes
- \_\_\_\_\_ 8. What does experience show about the link between taxation and work?
- When taxes are cut, workers work significantly more hours.
  - When taxes are raised, workers work significantly more hours.
  - A tax cut does not cause employers to raise wages significantly.
  - A tax cut does not cause workers to work significantly more hours.
- \_\_\_\_\_ 9. What economic theory did Ronald Reagan base his policies upon after becoming President in 1980?
- |  |  |
|--|--|
| <ol style="list-style-type: none"> <li>supply-side economics</li> <li>Keynesian economics</li> </ol> | <ol style="list-style-type: none"> <li>demand-side economics</li> <li>classical economics</li> </ol> |
|--|--|
- \_\_\_\_\_ 10. What has reduced the severity of changes to real GDP in the U.S. economy since World War II?
- |   |  |
|---|--|
| <ol style="list-style-type: none"> <li>federal payments to states</li> <li>automatic stabilizers</li> </ol> | <ol style="list-style-type: none"> <li>Internal Revenue Service aids</li> <li>income equalizers</li> </ol> |
|---|--|

# Objectives

# ECONOMICS

1. **Explain** the importance of balancing the budget.
2. **Analyze** how budget deficits add to the national debt.
3. **Summarize** the problems caused by the national debt.
4. **Identify** how political leaders have tried to control the debt.



CHAPTER  
**15**  
SECTION 3

## QUIZ A

## Budget Deficits and the National Debt

3

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |                               |
|--|-------------------------------|
| _____ 1. federal spending equal to federal revenue                           | <b>a. crowding-out effect</b> |
| _____ 2. the total amount of money owed by the federal government            | <b>b. Treasury bond</b>       |
| _____ 3. government bond that matures in 26 weeks or less                    | <b>c. national debt</b>       |
| _____ 4. federal spending in excess of federal revenue                       | <b>d. balanced budget</b>     |
| _____ 5. a budget system created to control deficit spending                 | <b>e. budget surplus</b>      |
| _____ 6. the loss of funds for private investment due to government spending | <b>f. Treasury bill</b>       |
|  | <b>g. PAYGO</b>               |
|  | <b>h. budget deficit</b>      |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. When the government attempts to cover large deficits by creating more money, what is a possible result?
- |                                |                           |
|--------------------------------|---------------------------|
| <b>a. government borrowing</b> | <b>c. excess currency</b> |
| <b>b. hyperinflation</b>       | <b>d. full employment</b> |
- \_\_\_\_\_ 8. What is one of the major problems caused by a large national debt?
- It does not allow small investments by private individuals.
  - It makes it hard for the government to carry on activities.
  - It makes it difficult for the country to operate internationally.
  - It decreases the amount of money available to be borrowed by businesses.
- \_\_\_\_\_ 9. What was the state of the federal budget at the end of the twentieth century?
- balanced spending for the last 10 years
  - large surpluses for the last 10 years
  - surplus for the first time in 30 years
  - minor deficit spending for the first time in 10 years
- \_\_\_\_\_ 10. What is a major argument against a constitutional amendment requiring a balanced budget?
- |  |  |
|--|--|
| <b>a. It would be hard to monitor.</b> | <b>c. It would be difficult to obey.</b> |
| <b>b. It would be too unpopular.</b>   | <b>d. It would be too inflexible.</b>    |

# Objectives

# ECONOMICS

1. Describe banking history in the United States.
2. Explain why the Federal Reserve Act of 1913 led to further reform.
3. Describe the structure of the Federal Reserve System.



## A. Key Terms and Concepts

**Directions:** Complete each statement with the correct term from this section.

1. The actions the Federal Reserve takes to influence the economy are known as \_\_\_\_\_.
2. The Federal Reserve System is overseen by the seven-member \_\_\_\_\_.
3. The Federal Reserve Act divided the United States into twelve \_\_\_\_\_.
4. Key economic decisions about interest rates and the money supply are made by the \_\_\_\_\_.
5. The amount of deposits that a bank is required to keep on hand are \_\_\_\_\_.
6. Congress established the Federal Reserve System in 1913 by passing the \_\_\_\_\_.

## B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. Why does the Fed have a high degree of political independence?
  - a. It has only advisory power.
  - b. It is divided into districts.
  - c. Governors are appointed for life.
  - d. The system is owned by the banks.
- \_\_\_\_\_ 8. What banks must join the Federal Reserve System?
  - a. all nationally chartered banks
  - b. all state-chartered banks
  - c. all banks of any kind
  - d. none; membership is voluntary
- \_\_\_\_\_ 9. Congress passed the Federal Reserve Act in order to
  - a. decentralize the banking system.
  - b. effectively respond to the Great Depression.
  - c. strengthen the Second Bank of the United States.
  - d. foster business growth and give banks a source of emergency cash.
- \_\_\_\_\_ 10. Why was the charter of the Second Bank of the United States not renewed?
  - a. The Federal Reserve System was established when the charter expired.
  - b. People feared that a central bank would increase federal power too much.
  - c. It did require banks to maintain a reserve.
  - d. It did not respond effectively enough to the Great Depression.



# Objectives

# ECONOMICS

1. Describe how the Federal Reserve serves the federal government.
2. Explain how the Federal Reserve serves banks.
3. Describe how the Federal Reserve regulates the banking system.
4. Explain the Federal Reserve's role in regulating the nation's money supply.



## A. Key Terms and Concepts

**Directions:** Complete each statement with the correct term from this section.

1. The process by which banks record whose account gives up money and whose account receives money when a check is written is \_\_\_\_\_
2. A company that owns more than one bank is a \_\_\_\_\_
3. The interest rate that banks charge each other for borrowing money is the \_\_\_\_\_
4. The rate the Federal Reserve charges banks for loaning them money is the \_\_\_\_\_
5. The category of funds in the money supply that are easily accessible is called \_\_\_\_\_
6. The reserves banks are required to keep on hand are called \_\_\_\_\_

## B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. Which is NOT a function of the Federal Reserve?
  - a. process checks for the federal government
  - b. loan money to individuals and small businesses
  - c. regulate the money supply
  - d. clear checks
- \_\_\_\_\_ 8. Who issues U.S. paper currency?
  - a. the Treasury Department
  - b. the U.S. Mint
  - c. the district Federal Reserve Banks
  - d. the U.S. bank examiners
- \_\_\_\_\_ 9. What is the function of a bank examiner?
  - a. to make sure banks are obeying laws and regulations
  - b. to respond to banks about their daily reports to the Fed
  - c. to carry on day-to-day functions within the bank
  - d. to oversee decisions about major loans by each bank
- \_\_\_\_\_ 10. Why does a high interest rate discourage people from holding their money in cash?
  - a. They cannot be sure that cash will hold its value.
  - b. They are more concerned that it will be stolen.
  - c. They are fearful of inflation.
  - d. They can get interest for it when it is invested.

# Objectives

# ECONOMICS

1. Describe the process of money creation.
2. Explain how the Federal Reserve uses reserve requirements, the discount rate, and open market operations to implement monetary policy.
3. Explain why the Fed favors one monetary policy tool over the others.



CHAPTER  
**16**  
SECTION 3

## QUIZ A

## Monetary Policy Tools

3

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |                                  |
|--|----------------------------------|
| _____ 1. holdings greater than the legally required amount                                     | <b>a. open market operations</b> |
| _____ 2. a number that is used to determine how much money will be created by a demand deposit | <b>b. excess reserves</b>        |
| _____ 3. the process by which banks get money into the economy                                 | <b>c. prime rate</b>             |
| _____ 4. the buying and selling of government securities to change the supply of money         | <b>d. required reserve ratio</b> |
| _____ 5. the percentage of deposits that a bank must keep on hand                              | <b>e. federal funds rate</b>     |
| _____ 6. the interest rate banks charge on short-term loans to their best customers            | <b>f. discount rate</b>          |
|  | <b>g. money creation</b>         |
|  | <b>h. money multiplier</b>       |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. What is the policy used most by the Fed to change the money supply?
- changes in the money creation policy
  - changes in the discount rate
  - changes in the reserve requirements
  - open market operations
- \_\_\_\_\_ 8. Why does the Fed rarely change the reserve requirements?
- It is too complicated as a way to make minor adjustments.
  - It is not an effective way to manipulate the money supply.
  - It can be disruptive to the whole banking system.
  - It might not have a significant effect on the money available.
- \_\_\_\_\_ 9. Which of the following activities creates money?
- putting money into a safe
  - depositing money into a demand deposit account
  - paying off a loan to a friend
  - withdrawing money from a demand deposit account
- \_\_\_\_\_ 10. To increase the money supply, the Federal Open Market Committee
- purchases bonds.
  - sells bonds.
  - raises the prime rate.
  - lowers the prime rate.

# Objectives

# ECONOMICS

1. **Explain** how monetary policy works.
2. **Describe** the problem of timing in implementing monetary policy.
3. **Explain** why the Fed's monetary policy can involve predicting business cycles.
4. **Contrast** two general approaches to monetary policy.



CHAPTER  
**16**  
SECTION 4

QUIZ A

**Monetary Policy and Macroeconomic  
Stabilization**

3

**A. Key Terms and Concepts**

**Directions:** Complete each statement with the correct term from this section.

1. Monetary policy that increases the money supply is called \_\_\_\_\_
2. The time it takes for monetary or fiscal policy to become effective is the \_\_\_\_\_
3. Economists who believe that the economy will recover on its own support a policy of \_\_\_\_\_
4. Monetary policy that decreases the money supply is called \_\_\_\_\_
5. The belief that the money supply is the most critical factor in macroeconomic performance is known as \_\_\_\_\_
6. The time it takes to implement monetary or fiscal policy is the \_\_\_\_\_

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

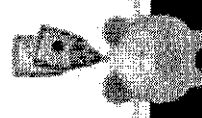
- \_\_\_\_\_ 7. Why does monetary policy usually involve a streamlined inside lag?
  - a. Congress and the President act quickly on monetary policy.
  - b. Monetary policy is determined by independent leaders of industry.
  - c. Predicting economic trends is simple and reliable today.
  - d. The Federal Open Market Committee can act almost immediately.
- \_\_\_\_\_ 8. What is likely to be the best approach to a recession that is expected to turn into an expansion in a short time?
  - a. Use monetary policy to lower interest.
  - b. Do nothing and let the economy fix itself.
  - c. Use fiscal policy to lower interest.
  - d. Use monetary policy to raise interest.
- \_\_\_\_\_ 9. Low interest rates encourage business investment by
 

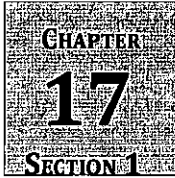
a. making it easier to borrow money.	c. decreasing the money supply.
b. preventing inflation.	d. making it easier to predict business cycles.
- \_\_\_\_\_ 10. An interventionist monetary policy may be called for when
  - a. a recession is expected to last for a long time.
  - b. the economy is experiencing high inflation.
  - c. a period of contraction is expected.
  - d. the economy is in a period of expansion.

# Objectives

# ECONOMICS

1. **Evaluate** the impact of the unequal distribution of resources.
2. **Apply** the concepts of specialization and comparative advantage to explain why countries trade.
3. **Summarize** the position of the United States on world trade.
4. **Describe** the effects of trade on employment.





## QUIZ A

## Absolute and Comparative Advantage

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |  |
|--|--|
| _____ 1. the ability to produce more of a good with a given amount of resources                              | <b>a. comparative advantage</b>        |
| _____ 2. the ability to produce a good at lower opportunity cost than others                                 | <b>b. export</b>                       |
| _____ 3. a good that is brought in from another country for sale   | <b>c. absolute advantage</b>           |
| _____ 4. the need that countries share for each other's resources, goods, services, labor, and knowledge     | <b>d. import</b>                       |
| _____ 5. a good that is sent to another country for sale   | <b>e. interdependence</b>              |
| _____ 6. principle that a country is better off producing goods and services that it can produce efficiently | <b>f. physical capital</b>             |
|  | <b>g. law of comparative advantage</b> |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. What is one measure of a nation's human capital?
- |   |  |
|---|--|
| a. savings that citizens have in the bank | c. educational level of the population |
| b. number of people who can work          | d. number of telephones per capita     |
- \_\_\_\_\_ 8. What is the biggest factor that leads a country to specialize in certain products?
- |  |   |
|--|---|
| a. the needs of its citizens               | b. the resources of the nation                      |
| c. the ability to trade with other nations | d. the demand for those products within the country |
- \_\_\_\_\_ 9. How does specialization affect employment patterns?
- |  |   |
|--|---|
| a. by creating specialized work for a few people                                 | b. by changing job availability in a country or region                      |
| c. by making people produce only goods for which they have comparative advantage | d. by using the absolute advantage that many people have in production work |
- \_\_\_\_\_ 10. Where does the United States stand as a participant in international trade?
- |   |                                 |
|---|---------------------------------|
| a. It is largely self-sufficient.       | c. It is primarily an exporter. |
| b. It is a major importer and exporter. | d. It is primarily an importer. |



# Objectives

# ECONOMICS

1. **Define** various types of trade barriers.
2. **Analyze** the effects of trade barriers on economic activities.
3. **Summarize** arguments in favor of protectionism.
4. **Evaluate** the benefits and costs of participation in international trade agreements.
5. **Explain** the role of multinationals in the global market.



## Trade Barriers and Agreements

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                                      |
|---|--------------------------------------|
| _____ 1. a region where a group of countries agrees to reduce or eliminate trade barriers             | <b>a. tariff</b>                     |
| _____ 2. a limit on the amount of a good allowed to come into a country                               | <b>b. voluntary export restraint</b> |
| _____ 3. a means of preventing a foreign product or service from freely entering a nation's territory | <b>c. free-trade zone</b>            |
| _____ 4. a tax on imported goods  | <b>d. import quota</b>               |
| _____ 5. a self-imposed limitation on the number of products that are shipped to a particular country | <b>e. sanction</b>                   |
| _____ 6. the use of trade barriers to shield industries from foreign competition                      | <b>f. trade barrier</b>              |
|   | <b>g. protectionism</b>              |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- |  |  |   |
|--|--|---|
| _____ 7. What is the goal of NAFTA?  | <b>a. to open trade among 34 nations of North and South America</b>                              | <b>c. to abolish trade restrictions and tariffs among member nations</b>          |
|  | <b>b. to eliminate most trade barriers between Canada, Mexico, and the United States by 2009</b> | <b>d. to impose an economic sanction by placing an embargo on trade with Cuba</b> |
| _____ 8. The goal of the European Union is to                                | <b>a. create a single regional economy among its members.</b>                                    | <b>c. make a bigger trading bloc than that of the Asian nations.</b>              |
|  | <b>b. outdo the United States as an international trading nation.</b>                            | <b>d. coordinate tariffs among its members.</b>                                   |
| _____ 9. Why are some critics concerned about multinational corporations?    | <b>a. Multinationals prevent host countries from engaging in free trade.</b>                     |   |
|  | <b>b. Multinationals can sometimes gain excessive political power.</b>                           |   |
|  | <b>c. Multinationals prevent citizens in the host country from getting jobs.</b>                 |   |
|  | <b>d. Multinationals can gain control over the host country's exports.</b>                       |   |
| _____ 10. A cycle of trade barriers escalating between nations is known as a | <b>a. trade agreement.</b>   | <b>c. trade embargo.</b>  |
|  | <b>b. trade war.</b>   | <b>d. sanction.</b>   |

# Objectives

# ECONOMICS

1. **Explain** how exchange rates of world currencies.
2. **Describe** the effect of various exchange rate systems.
3. **Define** balance of trade and balance of payments.
4. **Analyze** the causes and effects of the U.S. trade deficit.



CHAPTER  
**17**  
SECTION 3

**QUIZ A**  
**Measuring Trade**

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |                               |
|--|-------------------------------|
| _____ 1. an increase in value of currency  | <b>a. balance of trade</b>    |
| _____ 2. the relationship between a nation's imports and its exports                     | <b>b. trade deficit</b>       |
| _____ 3. the result of a nation importing more than it exports                           | <b>c. appreciation</b>        |
| _____ 4. a decrease in the value of currency   | <b>d. depreciation</b>        |
| _____ 5. the value of a foreign nation's currency in terms of the home nation's currency | <b>e. exchange rate</b>       |
| _____ 6. the result of a nation exporting more than it imports                           | <b>f. balance of payments</b> |
|  | <b>g. trade surplus</b>       |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. With a flexible exchange-rate system, the exchange rate between two countries is determined by
- |                        |                                  |
|------------------------|----------------------------------|
| a. supply and demand.  | c. the value of gold.            |
| b. a fixed percentage. | d. inflation and interest rates. |
- \_\_\_\_\_ 8. When an economist says a currency is stronger, he or she means
- it will buy fewer foreign goods.
  - it can be exchanged for more of a foreign currency.
  - services, unlike goods, can be exported freely.
  - there are few things that the currency cannot buy.
- \_\_\_\_\_ 9. The use of technology such as computers, telephones, and the Internet means that money exchanges and other financial transactions can be
- |   |   |
|---|---|
| a. based on U.S. dollars.               | c. made instantaneously.                      |
| b. converted to prices in any currency. | d. protected from variations in any currency. |
- \_\_\_\_\_ 10. To convert U.S. dollars into another currency,
- multiply the number of dollars by the number of units of the other currency per dollar.
  - divide the rate of exchange by the number of units of the other currency.
  - multiply the number of units of the other currency by 2 and add the rate of exchange.
  - divide the number of dollars by the number of units of the other currency.

# Objectives

# ECONOMICS

1. **Understand** what is meant by developed nations and less developed countries.
2. **Identify** the tools used to measure levels of development.
3. **Describe** the characteristics of developed nations and less developed countries.
4. **Understand** how levels of development are ranked.



CHAPTER  
**18**  
SECTION 1

## QUIZ A

## Levels of Development

3

### A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |  |
|--|--|
| _____ 1. the proportion of the population over the age of 15 that can read and write | <b>a. development</b>                        |
| _____ 2. the organization of the economy for the purpose of manufacturing            | <b>b. subsistence agriculture</b>            |
| _____ 3. ability to raise only enough food to feed oneself and one's family          | <b>c. industrialization</b>                  |
| _____ 4. the process by which a nation improves the well-being of its people         | <b>d. life expectancy</b>                    |
| _____ 5. the average age to which a person can expect to live                        | <b>e. literacy rate</b>                      |
| _____ 6. a country that has significantly improved its industrial development        | <b>f. per capita GDP</b>                     |
|  | <b>g. newly industrialized country (NIC)</b> |

### B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. Which of the following are considered less developed countries?
- |                                  |                              |
|----------------------------------|------------------------------|
| <b>a. Canada and New Zealand</b> | <b>c. Japan and Norway</b>   |
| <b>b. Nepal and Albania</b>      | <b>d. Spain and Portugal</b> |
- \_\_\_\_\_ 8. How is per capita gross domestic product calculated?
- the value of goods and services divided by population
  - the value of goods and services divided by workers
  - population divided by the value of goods and services
  - the value of goods and services divided by per capita income
- \_\_\_\_\_ 9. Which of the following is generally a sign that a country is developed?
- low numbers of people living in cities
  - low literacy rate
  - high per capita energy use
  - high levels of people farming to feed themselves
- \_\_\_\_\_ 10. Why does the infant mortality rate relate to a country's level of development?
- It is a predictor of the adult literacy rate.
  - It is low in a few non industrialized areas.
  - It is high in some very industrialized countries.
  - It is an indicator of nutrition and health care.

# Objectives

# ECONOMICS

1. **Identify** the causes and effects of rapid population growth.
2. **Analyze** how political factors and dept are obstacles to development.
3. **Summarize** the role investment and foreign aid plays in development.
4. **Describe** the functions of various international economic institutions.



### A. Key Terms and Concepts

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |  |  |
|--|--|
| _____ 1. establishment of businesses in another country              | <b>a. malnutrition</b>                 |
| _____ 2. the result of eating inadequate or improper food            | <b>b. population growth rate</b>       |
| _____ 3. private group that raises money for aid and development     | <b>c. foreign direct investment</b>    |
| _____ 4. an agreement to lengthen the time for repayment of loans    | <b>d. nongovernmental organization</b> |
| _____ 5. investment in another country's financial markets           | <b>e. debt rescheduling</b>            |
| _____ 6. capital that comes from the savings of a country's citizens | <b>f. internal financing</b>           |
|  | <b>g. foreign portfolio investment</b> |

### B. Main Ideas

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. What happens if a nation's population grows faster than its gross domestic product?
- |   |   |
|---|---|
| <b>a. Population growth will stop.</b>    | <b>c. The nation's resources will decrease.</b> |
| <b>b. There will be economic decline.</b> | <b>d. The nation's GDP will increase.</b>       |
- \_\_\_\_\_ 8. How does the literacy rate of men and of women compare in LDCs?
- |  |  |
|--|--|
| <b>a. Women have a much higher rate.</b> | <b>c. Women have a slightly higher rate.</b> |
| <b>b. Men have a higher rate.</b>        | <b>d. It does not differ.</b>                |
- \_\_\_\_\_ 9. How do factors such as climate and natural resources relate to development?
- Technology has made these factors unimportant.
  - Poor climate and resources generally complicate development.
  - Good climate and resources always result in full development.
  - Climate is generally a better predictor of development than resources.
- \_\_\_\_\_ 10. What is one way human capital contributes to development?
- Financiers lend money to developing countries.
  - Foreigners make investments in another country.
  - A skilled workforce encourages foreign investment.
  - People invest their money in local resources for growth.



# Objectives

# ECONOMICS

1. **Identify** the characteristics of economic transition.
2. **Describe** the political and economic changes that have taken place in Russia since the fall of communism.
3. **Analyze** the reasons for rapid economic growth in China and India.
4. **Summarize** the economic challenges facing Africa and Latin America.



**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                                  |
|---|----------------------------------|
| _____ 1. the sale or transfer of government-owned businesses to individuals               | <b>a. incentive</b>              |
| _____ 2. money owed to another country  | <b>b. privatization</b>          |
| _____ 3. encouragement to behave in a certain way   | <b>c. special economic zones</b> |
| _____ 4. regions in China that have different economic rules from the rest of the country | <b>d. foreign debt</b>           |
| _____ 5. dishonest conduct by people in power   | <b>e. corruption</b>             |
| _____ 6. an alcohol-based fuel made from plants   | <b>f. rural poverty</b>          |
|   | <b>g. ethanol</b>                |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. What happened when Russian president Boris Yeltsin got rid of price controls in 1992? \_\_\_\_\_
- More wealth became concentrated in rural areas.
  - Economic conditions improved for people on fixed incomes.
  - Corruption was reduced.
  - Prices rose drastically.
- \_\_\_\_\_ 8. Why must private ownership of property be guaranteed for a free market economy to work?
- It fosters full employment.
  - It protects the role of government in the economy.
  - Entrepreneurs need the assurance that they will profit from success.
  - Without a guarantee, criminals can steal profits.
- \_\_\_\_\_ 9. How did China's economy change after the death of Mao Zedong?
- It increased the production of food in large communes.
  - It used the production of steel and iron to its best advantage.
  - It adopted many of the practices of free enterprise.
  - It focused on central manufacturing.
- \_\_\_\_\_ 10. Which statement is true of development in both Nigeria and Venezuela?
- It has completed a transition to a free-market economy.
  - It benefits from the sale of a valuable resource.
  - Its wealth is based on agriculture.
  - It has developed a service economy.

# Objectives

# ECONOMICS

1. **Define** globalization and identify factors that promote its spread.
2. **Explain** four problems linked to globalization.
3. **Describe** three challenges that globalization creates.
4. **Identify** the characteristics needed for American workers and companies to succeed in the future.



CHAPTER  
**18**  
SECTION 4

## QUIZ A

## Challenges of Globalization

3

**A. Key Terms and Concepts**

**Directions:** Match the terms with the descriptions. Write the letter of the correct answer in the blank provided. Not all of the choices will be used.

- |   |                                   |
|---|-----------------------------------|
| _____ 1. destruction of forest on a large scale   | <b>a. globalization</b>           |
| _____ 2. money sent by immigrant workers to family members in their home country              | <b>b. off shoring</b>             |
| _____ 3. migration of educated workers from LDCs to developed countries                       | <b>c. remittances</b>             |
| _____ 4. meeting the needs of development without using up environmental resources            | <b>d. sustainable development</b> |
| _____ 5. situation in which companies move operations to another country                      | <b>e. deforestation</b>           |
| _____ 6. the connections between producers, consumers, and financial systems around the world | <b>f. "brain drain"</b>           |
|   | <b>g. global economy</b>          |

**B. Main Ideas**

**Directions:** Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 7. Critics of multinational corporations claim that they don't help LDCs because
- the number of free market economies has grown.
  - living costs remain low in LDCs.
  - most profits go to foreign corporated owners.
  - jobs created require high levels of skill.
- \_\_\_\_\_ 8. What is one result of increased interconnection among financial markets?
- Global competition has decreased.
  - The influence of multinational corporations has dropped.
  - Migration to developing nations has increased.
  - Economic problems in one nation spread to other nations.
- \_\_\_\_\_ 9. What is the Group of 20?
- a group of environmental scientists from 20 countries
  - a group of 20 multinational corporations
  - a group of finance ministers from growing and developed countries
  - a group of international aid organizations
- \_\_\_\_\_ 10. One issue that has led to conflict between developing nations and environmentalists is
- off shoring of jobs.
  - depreciation of currency.
  - brain drain of talent.
  - use of resources.



