

Unit one Study Guide - Check the blog beginning Friday to review for ~~Tuesday's~~ Wednesday's test.

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- A 1. The law of increasing costs means that when an economy increases the production of one item
 - a. the opportunity cost goes up.
 - b. the actual cost of making the item goes down.
 - c. the actual cost goes up but the opportunity cost goes down.
 - d. the production costs will increase also.
- A 2. The opportunity cost of a decision can be examined by using a
 - a. production possibilities graph.
 - b. factors of production chart.
 - c. global trade-off grid.
 - d. graph of increasing costs.
- B 3. Why are all goods and services scarce?
 - a. Some goods cost more than others.
 - b. All resources are scarce.
 - c. Some things are needs and others are wants.
 - d. Some people want to have more goods than others.
- A 4. The government of a country must make a decision between spending money on a hospital or spending the same amount on border security. What kind of decision is this?
 - a. guns or butter
 - b. decision at the margin
 - c. global trade-off
 - d. production efficiency decision
- A 5. How would you describe an economy that uses its resources to make the greatest possible number of goods and services?
 - a. efficient
 - b. using opportunity cost well
 - c. globally aware
 - d. underutilized
- D 6. What does a production possibilities frontier show?
 - a. scarce and less scarce resources
 - b. global trade-offs and costs of doing business
 - c. an economy that is producing but not at the maximum
 - d. the maximum amount that an economy can produce
- C 7. Which of the following makes someone an entrepreneur?
 - a. earning a lot of money as a computer programmer
 - b. becoming a highly paid dancer
 - c. running a service that hires people to install sprinkler systems in lawns
 - d. inventing and selling the rights to manufacture a computer game
- D 8. One example of an entrepreneur is
 - a. a writer who is hired by a film studio to adapt a novel into a screenplay.
 - b. a lawyer in a high-profile law firm that specializes in business law.
 - c. an Olympic ice skater who later decides to join a professional ice show.
 - d. an artist who runs a business painting murals in office buildings and restaurants.

Name: _____

- D 9. A company that makes baseball caps is underutilizing its resources. What does this mean?
- a. The company is running more efficiently than its competitors.
 - b. The company is paying its employees less than it should be.
 - c. The company is making caps when it could be making t-shirts instead.
 - d. The company is producing fewer caps than it could be.

- A 10. What could cause a production possibilities curve to move down and to the left?
- a. A nation loses land after being defeated in a war.
 - b. A baby boom 20 years ago resulted in a large number of young adults in the population today.
 - c. An increase in the use of computer technology speeds up production.
 - d. Thousands of investors from overseas invest money in a nation's economy.

- B 11. What can cause a production possibilities curve to move to the right?
- a. Thousands of people move out of the country.
 - b. A new invention lowers the cost of production.
 - c. An epidemic kills thousands of young men and women.
 - d. The population is growing increasingly old.

- C 12. Which of the following is NOT characteristic of a centrally planned economy?
- a. The central government owns all land and capital.
 - b. The central government makes all economic decisions.
 - c. Each collective or factory sets its own goals.
 - d. Each person is assigned a job.

- A 13. Why does even a free market economy need some government intervention?
- a. to provide for things that the marketplace does not address
 - b. to ensure that the government has the freedom to tax as necessary
 - c. to make sure that the government can fulfill its needs for military personnel
 - d. so that the government has some control over factor resources

- C 14. How could the Chinese economy be characterized?
- a. free market
 - b. centrally planned
 - c. mixed, but on the side of centrally planned
 - d. mixed, but on the side of free market

- B 15. Which of the following was a free market philosopher?
- a. Karl Marx
 - b. Adam Smith
 - c. Vladimir Lenin
 - d. Friedrich Engels

- D 16. Which of the following is characteristic of a traditional economy?
- a. Communities tend to be fast-growing.
 - b. They are usually based on light industrial production.
 - c. They have a high standard of living.
 - d. Children tend to have the same jobs as their parents did.

- D 17. What is the product market?
- a. the market in which payments are received for selling products to consumers
 - b. the market in which income is received for supplying land, labor, or capital
 - c. the market in which firms purchase the factors of production from households
 - d. the market in which households purchase the goods and services that firms produce

- ad 42. the most attractive alternative that is given up when an economic decision is reached
- b 43. the line that shows different production possibilities for an economy
- d 44. all the possible alternatives that are rejected when a choice is made
- c 45. representation of the possible ways an economy could use resources
- ab 46. the basic economic condition of all goods and services

Identifying Key Terms

Match each term with the correct statement below.

- | | | |
|-----------------------|------------|-----------------|
| a. standard of living | <u>abf</u> | communism |
| b. privatize | <u>acg</u> | laissez faire |
| c. economic system | <u>adh</u> | collective |
| d. self-interest | <u>aei</u> | product market |
| e. safety net | <u>bef</u> | factor payments |

- c 47. the method used by society to produce and distribute goods and services
- d 48. one's own personal gain
- bc 49. the income people receive for supplying such things as land, labor, or capital
- ae 50. a situation in which households purchase the goods and services that firms produce
- b 51. to sell a state-run firm to individuals
- ad 52. a large Soviet farm leased from the state to groups of peasant farmers
- ac 53. the doctrine that government generally should not intervene in the marketplace
- a 54. level of economic prosperity

Identifying Key Terms

Match each term with the correct statement below.

- | | | |
|--------------------|------------|---------------------|
| a. free enterprise | <u>abf</u> | socialism |
| b. continuum | <u>acg</u> | transition |
| c. incentive | <u>adh</u> | traditional economy |
| d. safety net | <u>aei</u> | authoritarian |
| e. collective | <u>bef</u> | standard of living |

- d 55. government programs that protect people experiencing unfavorable economic conditions
- a 56. an economic system that permits the conduct of business with minimal government intervention
- c 57. an expectation that encourages people to behave in a certain way
- ad 58. an economic system that relies on habit, custom, or ritual to decide questions of consumption and production of goods and services
- ab 59. a philosophy based on the belief that democratic means should be used to distribute wealth evenly throughout a society
- ae 60. requiring strict obedience to someone such as a dictator
- b 61. a range with no clear divisions
- ac 62. a period of change in an economy

Identifying Key Terms

Match each term with the correct statement below.

- a. gross domestic product abf macroeconomics
- b. free rider acg poverty threshold
- c. public interest adh market failure
- d. private sector aek welfare
- e. in-kind benefits bcf public disclosure laws

- ab 63. the study of the behavior and decision making of entire economies
- ac 64. an income level below that which is needed to support families or households
- d 65. the part of the economy that involves the transactions of individuals and businesses
- e 66. goods and services provided by the government for free or at greatly reduced prices
- b 67. someone who would not choose to pay for a certain good or service, but who would get the benefits of it anyway if it were provided as a public good
- bc 68. requirements for companies to provide full information about their products
- c 69. the concerns of the people as a whole
- a 70. the total value of all final goods and services produced in a particular economy

Identifying Key Terms

Match each term with the correct statement below.

- a. market failure abf public disclosure laws
- b. cash transfers acg business cycle
- c. public policy adh interest group
- d. externality aek microeconomics
- e. welfare bcf poverty threshold

- e 71. government aid to the poor
- a 72. a situation in which goods are not fairly distributed
- ae 73. the study of the economic behavior and decision making of small units such as families, individuals, or businesses
- bc 74. an income level below that which is needed to support families or households
- ac 75. a period of macroeconomic expansion followed by a period of contraction
- ad 76. a private organization that tries to persuade public officials to act or vote in a certain way
- c 77. laws and standards on topics of public interest
- d 78. an economic side effect of a good or service that generates benefits or costs to someone other than the person deciding how much to produce or consume

