

What is the difference between a shortage and scarcity?

- a. A shortage results from rising prices; a scarcity results from falling prices.
- b. A shortage can be temporary or long-term, but scarcity always exists.
- c. A shortage is a lack of all goods and services; a scarcity concerns a single item.
- d. There is no real difference between a shortage and a scarcity.

Which of the following is an example of using physical capital to save time and money?

- a. building extra space in a factory to simplify production
- b. hiring more workers to do a job
- c. switching from oil to coal to make production cheaper
- d. lowering workers' wages to increase profits

Opportunity cost is

- a. any alternative we sacrifice when we make a decision.
- b. all of the alternatives we sacrifice when we make a decision.
- c. the most desirable alternative given up as a result of a decision.
- d. the least desirable alternative given up as a result of a decision.

An economy that is using its resources to produce the maximum number of goods and services is described as

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

Each society determines who will consume what is produced based on

- a. the amount of factor payments.
- b. its needs and wants.
- c. economic equity.
- d. its unique combination of social values and goals.

Why do people need to buy and sell goods or services?

- a. People need to buy and sell goods to make a profit.
- b. People buy and sell to maintain a competitive society.
- c. No one is self-sufficient.
- d. People need to provide the market with goods and services.

Which of the following is an advantage of a centrally planned economy?

- a. the system's bureaucracies are small and flexible
- b. innovation is well rewarded
- c. consumers' needs are well met
- d. the system can work quickly to accomplish specific goals

Americans generally favor

- a. limited government intervention in the economy.
- b. strong government control of the economy.
- c. no government intervention in the economy.
- d. government control of manufacturing only.

Policymakers encourage all of the following EXCEPT

- a. steady growth.
- b. stable productivity.
- c. high employment.
- d. stable prices.

Which of the following is an example of the public sector of the economy?

- a. consumers purchasing goods from a private company
- b. laborers working for a private construction company
- c. individual donations to charity
- d. government funding for a new national park

b. A shortage can be temporary or long-term, but scarcity always exists.

a. building extra space in a factory to simplify production.

c. the most desirable alternative given up as a result of a decision.

c. efficient.

d. its unique combination of social values and goals.

c. No one is self-sufficient.

d. the system can work quickly to accomplish specific goals.

a. limited government intervention in the economy.

b. stable productivity.

d. government funding for a new national park.

Education programs make the economy more productive by

- a. reducing taxes.
- b. providing more jobs in manufacturing.
- c. adding to human capital and labor productivity.
- d. reducing injuries on the job.

The law of demand states that

- a. price will not influence demand.
- b. consumers will buy less when a price decreases.
- c. consumers will buy more when a price decreases.
- d. consumers will buy more when a price increases.

If the price of a good rises and income stays the same, what is the effect on demand?

- a. the prices of other goods drop
- b. fewer goods are bought
- c. more goods are bought
- d. demand stays the same

Which of the following does not cause a shift of an entire demand curve?

- a. a change in income
- b. a change in price
- c. a change in consumer expectations
- d. a change in the size of the population

The United States economy is a mixed economy

- a. based on the principles of a centrally planned economy, with limited government intervention.
- b. based on the principles of the free market, but allows some government intervention.
- c. based on the principles of the free market, and allows no government intervention.
- d. based on the principle of a traditional economy, but allows some government intervention.

What does elasticity of demand measure?

- a. an increase in the quantity available
- b. a decrease in the quantity demanded
- c. how much buyers will cut back or increase their demand when prices rise or fall
- d. the amount of time consumers need to change their demand for a good

The government's price floor on low wages is called the

- a. base wage rate
- b. employment guarantee
- c. minimum wage
- d. market equilibrium

What happens when any market is in disequilibrium and prices are flexible?

- a. unsold perishable goods are thrown out
- b. sellers waste their resources
- c. excess demand is created
- d. market forces push toward equilibrium

What prompts efficient resource allocation in a well-functioning market system?

- a. government regulation
- b. the need to buy goods regardless of price
- c. the need for fair allocation of resources
- d. businesses working to earn a profit

How do price changes affect equilibrium?

- a. Price changes assist the centrally planned economy.
- b. Price changes serve as a tool for distributing goods and services.
- c. Price changes limit all markets to people who have the most money.
- d. Price changes prevent inflation or deflation from affecting the supply of goods.

c. adding to human capital and labor productivity.

c. consumers will buy more when a price decreases.

b. fewer goods are bought.

b. a change in price.

b. based on the principles of the free market, but allows some government intervention.

c. how much buyers will cut back or increase their demand when prices rise or fall.

c. minimum wage.

d. market forces push toward equilibrium.

d. businesses working to earn a profit.

b. Price changes serve as a tool for distributing goods and services.

How does a perfect market influence output?

- a. Each firm makes its output as large as possible even though some goods are not sold.
- b. Different firms make different amounts of goods, but some make a profit and others do not.
- c. Each firm adjusts its output so that it just covers all of its costs.
- d. Different firms each strive to make more goods to capture more of the market.

A monopoly is

- a. a market dominated by a single seller.
- b. an industry that runs best when one firm produces all the output.
- c. a license that gives the inventor of a new product the exclusive right to sell it for a certain amount of time.
- d. an industry where the government provides all the output.

An oligopoly is

- a. an agreement among firms to charge one price for the same good.
- b. a market structure in which a few large firms dominate a market.
- c. a formal organization of producers that agree to coordinate price and output.
- d. a way to attract customers without lowering price.

The purpose of both deregulation and antitrust laws is to

- a. promote competition
- b. promote inefficient commerce
- c. promote government control
- d. prevent monopolies

Any establishment formed to carry on commercial enterprises is a

- a. partnership.
- b. sole proprietorship.
- c. business organization.
- d. corporation.

How is a general partnership organized?

- a. Only one partner is responsible for the debts of the partnership.
- b. No partner is responsible for the debts of the partnership beyond his or her investment.
- c. The doctors, lawyers, or accountants who form a general partnership hire others to run the partnership.
- d. Every partner shares equally in both responsibility and liability.

All of the following are advantages of incorporation EXCEPT

- a. corporations face double taxation
- b. corporations have more potential for growth
- c. capital is easier to raise than in other business forms
- d. the responsibility for the business is shared

A business franchise

- a. is a semi-independent business tied to a parent company.
- b. operates without the aim of profit.
- c. attempts to improve the image and working conditions of people in a particular occupation.
- d. is not required to pay income taxes.

How have the earnings of U.S. workers changed over the last 20 years?

- a. Average wages of college graduates have gone up.
- b. Average wages of all workers have gone down.
- c. Average wages of non-college graduates only have gone up.
- d. Average wages of all workers have gone up.

Which of the following falls in the category of skilled worker?

- a. doctor
- b. waiter/waitress
- c. auto mechanic
- d. teacher

c. Each firm adjusts its output so that it just covers all of its costs.

a. a market dominated by a single seller.

b. a market structure in which a few large firms dominate a market.

a. promote competition.

c. business organization.

d. Every partner shares equally in both responsibility and liability.

a. corporations face double taxation.

a. is a semi-independent business tied to a parent company.

a. Average wages of college graduates have gone up.

c. auto mechanic.

Which of the following is not a goal of unions?

- a. increase job security
- b. take control of company ownership
- c. higher wages for employees
- d. increase worker benefits

b. take control of company ownership.

What has been the pattern of union membership in recent years?

- a. growth of private sector union membership only
- b. steady increase of overall membership
- c. decline of overall union membership
- d. decline of public sector union membership only

c. decline of overall union membership.

Two units of the same type of money must be the same in terms of what they will buy, that is, they must be

- a. divisible.
- b. portable.
- c. acceptable.
- d. uniform.

d. uniform.

After the Civil War, the National Banking Acts gave the federal government the power to do all of the following EXCEPT:

- a. issue a single national currency
- b. require banks to hold adequate gold and silver reserves
- c. charter banks
- d. insure banks against failure

d. insure banks against failure.

The money supply of the United States is made up of which of the following?

- a. M1
- b. M1 and parts of M2
- c. all the money available in the economy plus money that the country could borrow
- d. all the money available in the economy

d. all the money available in the economy.

Why are funds in checking accounts called demand deposits?

- a. they are held without interest by the bank
- b. they are usually in great demand
- c. they are not liquid
- d. they are available whenever the depositor demands them by writing a check

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The money an investor receives above and beyond the money initially invested is called

- a. return.
- b. investment.
- c. savings.
- d. prospectus.

a. return.

A bond is a

- a. system that allows the transfer of funds between savers and borrowers.
- b. collection of financial assets.
- c. loan that represents debt that the government or a corporation must repay to an investor.
- d. portion of ownership in a corporation.

c. loan that represents debt that the government or a corporation must repay to an investor.

Investment is

- a. a collection of financial intermediaries.
- b. providing money for your family.
- c. the act of redirecting resources from being consumed today so that they may create benefits in the future.
- d. an institution that helps channel funds from savers to borrowers.

c. the act of redirecting resources from being consumed today so that they may create benefits in the future.

A share of stock represents

- a. debt that the government or a corporation must repay to an investor.
- b. a collection of financial assets.
- c. a system that allows the transfer of funds between savers and borrowers.
- d. a portion of ownership in a corporation.

d. a portion of ownership in a corporation.

Real GDP takes which of the following into account?

- a. changes in prices
- b. changes in supply
- c. changes in demand
- d. changes in aggregate demand

a. changes in prices

Which of the following is an example of a durable good?

- a. a hair cut
- b. a pair of jeans
- c. a refrigerator
- d. a pizza

c. a refrigerator

A recession is

- a. an especially long or severe economic contraction.
- b. a prolonged economic expansion.
- c. a prolonged economic contraction.
- d. a period of steady economic growth.

c. a prolonged economic contraction.

Capital deepening is the process of

- a. decreasing the amount of capital per worker.
- b. selling off obsolete equipment.
- c. increasing consumer spending.
- d. increasing the amount of capital per worker.

a. decreasing the amount of capital per worker.

The unemployment rate

- a. is the number of people who are unemployed.
- b. is the percentage of the labor force that is unemployed.
- c. includes only discouraged workers.
- d. is the percentage of the labor force that is underemployed.

b. is the percentage of the labor force that is unemployed.

Inflation is

- a. the process by which rising wages cause higher prices.
- b. the price increase of a typical group of goods.
- c. a general increase in prices.
- d. the ability to purchase goods and services.

c. a general increase in prices.

An income level below which income is insufficient to support a family or household is known as the

- a. income gap.
- b. poverty rate.
- c. poverty threshold.
- d. income inequality.

c. poverty threshold.

Too much money in the economy is the cause of inflation according to

- a. the quantity theory.
- b. the quantum theory.
- c. the demand-pull theory.
- d. the cost-push theory.

a. the quantity theory.