



Section 1: Quiz

Answering the Three Economic Questions

CHAPTER 2

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. a system to protect people experiencing unfavorable economic conditions
- _____ 2. an economy in which economic decisions are based on exchange, or trade
- _____ 3. the income people receive for supplying factors of production
- _____ 4. an economy that relies on habit, custom, or ritual to answer economic questions
- _____ 5. the method used by a society to produce and distribute goods and services

Column II

- a. economic system
- b. factor payments
- c. safety net
- d. traditional economy
- e. market economy

B. Main Ideas

Write the letter of the correct ending in the blank provided.

- _____ 6. Each society determines who will consume what is produced based on
 - a. its unique combination of social values and goals.
 - b. the amount of factor payments.
 - c. its needs and wants.
 - d. economic equity.
- _____ 7. To improve its standard of living, a nation's economy must
 - a. remain stable.
 - b. grow through innovation.
 - c. reach economic equity.
 - d. allow the central government to make economic decisions.
- _____ 8. Traditional economies are usually
 - a. small, close communities that welcome change and new technology.
 - b. large, widespread communities that welcome change and new technology.
 - c. large, widespread communities that are able to deal effectively with environmental disaster.
 - d. small, close communities that avoid change and new technology.
- _____ 9. An economy in which only the government makes economic decisions is a
 - a. mixed economy.
 - b. traditional economy.
 - c. centrally planned economy.
 - d. market economy.
- _____ 10. Pure market economies always
 - a. allow the central government to make economic decisions.
 - b. make fair or efficient decisions or allow for growth.
 - c. base economic decisions on exchange, or trade.
 - d. divide work along gender lines.



Section 2: Quiz

The Free Market

CHAPTER 2

A. Key Terms

Briefly define or identify each of the following.

1. market _____
2. self-interest _____
3. incentive _____
4. consumer sovereignty _____

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 5. Why do people need to buy and sell products or services?
 - a. People need to buy and sell products to make a profit.
 - b. We need to maintain a competitive society.
 - c. No one is self-sufficient.
 - d. People need to provide the market with goods and services.
- _____ 6. Who owns the factors of production?
 - a. individuals
 - b. households
 - c. firms
 - d. the market
- _____ 7. How will consumers react to the incentive of a higher price on a good or service?
 - a. The negative incentive will cause consumers to purchase less of the good or service if it is of lower quality.
 - b. The positive incentive will cause consumers to purchase less of the good or service if it is of lower quality.
 - c. The negative incentive will cause consumers to purchase less of the good or service if it is of higher quality.
 - d. The positive incentive will cause consumers to purchase less of the good or service if it is of higher quality.
- _____ 8. What "invisible hand" regulates the free market economy?
 - a. incentives and efficiency
 - b. specialization
 - c. competition between firms
 - d. competition and self-interest
- _____ 9. Why are free market economies able to attain economic growth?
 - a. Consumers can purchase all the goods they need, which causes firms to produce more.
 - b. Competition encourages innovation, which causes growth.
 - c. Everyone is acting in their own self-interest, which motivates market growth.
 - d. Firms keep producing more incentives to encourage households to purchase more goods.
- _____ 10. Which of the following is NOT an advantage of a free market economy?
 - a. economic efficiency
 - b. economic freedom
 - c. economic equity
 - d. economic growth



Section 3: Quiz

Centrally Planned Economies

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. requiring strict obedience to an authority, such as a dictator
- _____ 2. a political system characterized by a centrally planned economy with all economic and political power resting in the hands of the central government
- _____ 3. a large Soviet farm leased by the state to groups of peasant farmers
- _____ 4. a social and political philosophy based on the belief that democratic means should be used to evenly distribute wealth throughout a society
- _____ 5. requires a large capital investment and produces items used by others

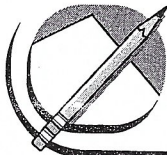
Column II

- a. communism
- b. authoritarian
- c. socialism
- d. heavy industry
- e. collective

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 6. Why might a socialist society have a less rigid command economy than a communist society?
 - a. In a socialist society, various political systems may be combined with public control of the economy.
 - b. In a socialist society, all economic and political power rests in the hands of the central government.
 - c. In a socialist society, an authoritarian government controls the economy.
 - d. In a socialist society, the centers of economic power are under private control.
- _____ 7. Who decided what the farmers would produce on Soviet collectives?
 - a. the farmers
 - b. the military
 - c. the government
 - d. the consumers
- _____ 8. How did collectives in the Soviet Union avoid the competition that drives a free market economy?
 - a. There were no incentives for competition because the government determined prices, wages, and products.
 - b. The farmers were not able to sell their own products.
 - c. Heavy industry was not a direct competitor.
 - d. It was illegal to buy products from a competitor.
- _____ 9. Why might Soviet economic planners have favored heavy industry over the makers of consumer goods?
 - a. The products of heavy industry brought in more money.
 - b. There were more people trained to work in heavy industry.
 - c. Consumer goods are not good economic investments.
 - d. The products of heavy industry provide material for many other industries.
- _____ 10. Which of the following is NOT a disadvantage of a centrally planned economy?
 - a. It usually cannot meet consumers' needs and wants.
 - b. It tries to meet explicitly stated goals.
 - c. It does not reward innovation.
 - d. It sacrifices individual freedoms.



Section 4: Quiz

Modern Economies

CHAPTER 2

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. period of change in which an economy moves away from a centrally planned economy toward a market-based system
- _____ 2. an economic system that permits the conduct of business with minimal government intervention
- _____ 3. to sell to individuals state-run firms, which are then allowed to compete with one another in the marketplace
- _____ 4. the doctrine that government generally should not intervene in the marketplace
- _____ 5. a range with no clear divisions

Column II

- a. laissez faire
- b. free enterprise
- c. continuum
- d. transition
- e. privatize

B. Main Ideas

Write the letter of the correct ending in the blank provided.

- _____ 6. The United States economy is a mixed economy
 - a. based on the principles of the traditional economy, but allowing some government intervention.
 - b. based on the principles of the centrally planned economy, but limiting government intervention.
 - c. based on the principles of the free market, allowing no government intervention.
 - d. based on the principles of the free market, but allowing some government intervention.
- _____ 7. Government intervention in a modern economy is useful because
 - a. the needs and wants of modern society are always met by the marketplace.
 - b. the marketplace has many incentives to create public works such as parks and libraries.
 - c. governments are more able to meet some needs and wants of modern society in a way that ensures that all members of society can participate.
 - d. the marketplace provides all of its own laws.
- _____ 8. In most mixed economies, the government does NOT
 - a. purchase land, labor, and capital from households in the factor market.
 - b. own all the property and confiscate all economic output.
 - c. purchase goods and services in the product market.
 - d. redistribute wealth through taxes and other means.
- _____ 9. Sweden's social benefit programs
 - a. provide many health care and other advantages but involve a very high tax burden for the people.
 - b. provide many health care and other advantages at no cost to the people.
 - c. provide many health care and other advantages but cost the people three quarters of their base salary.
 - d. provide many advantages to businesses, making them highly profitable.
- _____ 10. The United States government intervenes to
 - a. provide competition for private firms.
 - b. impose barriers on foreign trade.
 - c. keep order, provide vital services, and promote the general welfare.
 - d. restrict the banking industry.