

# Section 1: Quiz

## Benefits of Free Enterprise



### A. Key Terms

Use each of the following terms in a sentence that suggests its meaning.

1. interest group \_\_\_\_\_
2. public interest \_\_\_\_\_
3. public disclosure laws \_\_\_\_\_

### B. Main Ideas

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

- \_\_\_\_\_ 4. Why has America been referred to as "the land of opportunity"?
  - a. It provides anyone from any background the possibility of success through hard work.
  - b. It provides farmers with the ability to farm without levying taxes on the farmland.
  - c. It provides jobs for all citizens.
  - d. It provides paving surfaces made of gold.
- \_\_\_\_\_ 5. What basic principles are fundamental to American free enterprise?
  - a. state-owned property, contracts, voluntary exchange, self-interest, profit motive, and competition
  - b. economic freedom, private property, contracts, voluntary exchange, business interests, profit motive, and protection from competition
  - c. open opportunity, private property, contracts, voluntary exchange, profit motive, legal equality, and competition
  - d. economic freedom, private property, contracts, mandatory exchange, profit motive, legal equality, and competition
- \_\_\_\_\_ 6. In what two ways does the Bill of Rights protect and guarantee individuals' freedom to engage in business activities?
  - a. Recognizes property rights and limits on taxation.
  - b. Encourages legal equality and provides free contracts.
  - c. Denies the government the ability to regulate commerce.
  - d. Provides each industry with a competitive edge.
- \_\_\_\_\_ 7. Why do Americans want the government to intervene in their free enterprise economy?
  - a. to create more goods and services
  - b. to provide more competition
  - c. to influence consumer choices
  - d. to protect the public interest
- \_\_\_\_\_ 8. What is the purpose of free enterprise?
  - a. to allow businesses free rein
  - b. to give consumers freedom of choice
  - c. to keep government out of business
  - d. to influence economic policies
- \_\_\_\_\_ 9. How does information provided by the government influence consumer decisions?
  - a. Consumers prevent companies from selling products revealed to be dangerous.
  - b. Consumers do not buy products revealed to be dangerous.
  - c. Consumers use the information to test new products for themselves.
  - d. Consumers buy products regardless of government information.
- \_\_\_\_\_ 10. What is 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.



# Section 2: Quiz

## Promoting Growth and Stability



### 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 period of macroeconomic expansion followed by a period of contraction
- \_\_\_\_\_ 2. the study of the economic behavior and decision making of small units, such as individuals, families, and businesses
- \_\_\_\_\_ 3. the process used to produce a good or service
- \_\_\_\_\_ 4. the study of the behavior and decision making of entire economies
- \_\_\_\_\_ 5. the total value of all final goods and services produced in a particular economy in a year

#### Column II

- a. macroeconomics
- b. microeconomics
- c. business cycle
- d. gross domestic product (GDP)
- e. technology

### B. Main Ideas

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

- \_\_\_\_\_ 6. Business cycles occur in free enterprise systems because
  - a. the government creates public policy to create cycles.
  - b. the efficiency of workers is not the same from season to season, but fluctuates on a regular basis annually.
  - c. economic decisions about factors such as prices, production, and consumption are determined by the market.
  - d. the standard of living is very high.
- \_\_\_\_\_ 7. Policymakers pursue all of the following goals to stabilize the economy EXCEPT
  - a. stable productivity.
  - b. high employment.
  - c. stable prices.
  - d. steady growth.
- \_\_\_\_\_ 8. The federal government monitors and regulates American banks and other financial institutions
  - a. because the government is determined to protect its own money.
  - b. to keep greater control over the economy.
  - c. to shield money from the damaging effects of economic downturns.
  - d. to improve the standard of living.
- \_\_\_\_\_ 9. The government encourages an increased level of productivity by
  - a. maintaining steady price controls.
  - b. funding research and development projects at many levels.
  - c. hiring more workers to reduce unemployment.
  - d. regulating banks and other financial institutions.
- \_\_\_\_\_ 10. Improved technology helps create a higher standard of living for future generations by
  - a. preventing drastic shifts in general price levels.
  - b. reducing the number of unemployed workers.
  - c. creating specialized jobs for workers.
  - d. providing additional goods and services.



## Section 3: Quiz

# Providing Public Goods



### A. Key Terms

Briefly define or identify each of the following.

1. market failure \_\_\_\_\_
2. externality \_\_\_\_\_
3. free rider \_\_\_\_\_

### B. Main Ideas

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

- \_\_\_\_\_ 4. Which of the following is NOT a reason for the government to provide a good or service as a public good?
  - a. The good or service should be made available to everyone.
  - b. Increasing the number of consumers would increase the cost to a private provider.
  - c. It would be inefficient to exclude nonpayers.
  - d. It would be impractical to make consumers pay individually.
- \_\_\_\_\_ 5. What part of the economy finances public goods?
  - a. public sector
  - b. private sector
  - c. free riders
  - d. consumers
- \_\_\_\_\_ 6. If a teacher decides to have her students volunteer at a community nursing home after school, which of the following would be a negative externality?
  - a. A student would enjoy himself and volunteer to spend more time with the residents.
  - b. A student would learn a new skill from a nursing home resident.
  - c. A student would be unable to work at her part-time job on that afternoon.
  - d. A student would feel good about herself.
- \_\_\_\_\_ 7. What is critical in determining whether something is produced as a public good?
  - a. whether the benefits to society are greater than the total cost
  - b. whether the market is willing to provide it
  - c. whether the government is willing to provide it
  - d. whether the benefits to society are equal to the total cost
- \_\_\_\_\_ 8. How do public goods limit a free market economy?
  - a. They allow consumers to make all of the economic decisions.
  - b. They allow government, and not consumers, to make some economic decisions.
  - c. They allow consumers to make only occasional economic decisions.
  - d. They do not allow consumers to make any economic decisions.
- \_\_\_\_\_ 9. Which of the following is NOT a reason that a suspension bridge is considered a public good?
  - a. The people who need it most cannot provide the money for its construction.
  - b. The government is able to provide the money for its construction.
  - c. Consumers acting in their own self-interest would not construct it.
  - d. Only a few people are going to benefit from its construction.
- \_\_\_\_\_ 10. What is government's role in controlling externalities in the American economy?
  - a. Government tries to encourage positive externalities and limit negative externalities.
  - b. Government tries to limit all externalities because they represent market failure.
  - c. Government tries to limit positive externalities and encourage negative externalities.
  - d. Government tries to encourage all externalities so that the market will be competitive.