

KEY

Econ Final Review-

Scarcity, Factors of Production, and Opportunity Cost

1. Which of the following is NOT a factor of production?

- (A) the land required for a hog farm
- (B) the training required to repair an airplane engine
- (C) the teacher required to teach an economics class

(D) the amount of money required to buy a car - *Not producing a good, buying one.*

2. Physical objects such as clothes or shoes are defined as

- (A) Goods.
- (B) Needs.
- (C) Wants.
- (D) Services.

3. Which of the following is an entrepreneur?

- (A) a lawyer for an insurance company who wins a medical malpractice suit
- (B) an advertising copy writer who writes an award-winning commercial
- (C) a computer repair shop owner who opens a second shop across town
- (D) a doctor who volunteers her services in the aftermath of a hurricane

4. Any human-made resource that is used to create other goods and/or services is

- (A) A service.
- (B) An entrepreneur.
- (C) Capital
- (D) Labor.

5. Why are individuals, companies, and governments required to constantly make choices about how to best utilize resources?

- (A) There is always a shortage of resources.
- (B) There is always a scarcity of resources.
- (C) They all have more needs than wants.
- (D) They all have more wants than needs.

6. Which of the following is an example of a shortage?

- (A) the price of oil going up because more people are driving cars
- (B) the price of grain going down when supplies are scarce
- (C) having a sale on soda because there are too many cases on the shelf
- (D) not having enough of one brand of soda in the store on Saturday because of a sale on soda

7. The production possibilities curve is a graph that shows

- (A) Alternative ways to use an economy's resources.
- (B) A company's projected product sales.
- (C) How a country will budget its resources.
- (D) How a company will pay its expenses.

8. Natural resources that are used to make goods and services are considered

- (A) Equipment.
- (B) Money.
- (C) Labor.
- (D) Land.

9. Why are scarcity and choice basic to the study of economics?

- (A) because there is not an endless supply of all resources
- (B) because there is an endless supply of all resources
- (C) because most people have limited wants and needs
- (D) because they are important factors of production

10. An example of an opportunity cost would be

- (A) Not being able to afford a family trip because the family buys a computer.
- (B) Buying a movie ticket.
- (C) The price of gasoline for a family trip.
- (D) Buying a computer to help get better grades in school.

11. A phrase that refers to the trade-offs that nations face when choosing whether to produce more or less military or consumer goods is

- (A) Shortage or scarcity.
- (B) Physical capital.
- (C) Guns or butter.
- (D) Swords or plowshares.

12. How are trade-offs and opportunity costs different?

- (A) The opportunity cost is the most desirable trade-off.
- (B) A trade-off is the most expensive opportunity cost.
- (C) A trade-off can be put on a decision-making grid, but an opportunity cost cannot.
- (D) It's more important to be aware of the trade-off when deciding something.

13. Using the factors of production to make one product always means that

- (A) A nation can make more money.
- (B) A company may experience a shortage of materials.
- (C) Fewer resources are left to make something else.
- (D) It is possible to make too many of that product.

Economic Systems

1. The method used by a society to produce and distribute goods and services is

- (1) A production curve.
- (2) An economic system.
- (3) An opportunity cost.
- (4) The standard of living.

2. A mixed economy is

- (1) A market-based, economic system based on free enterprise with some government involvement.
- (2) An economic system in which the government regulates all prices, production, and products.
- (3) Exactly the same as a centrally planned economy.
- (4) The exact opposite of a free enterprise system.

3. In the study of economics, the definition of a market is

(1) The concentration of the productive efforts of individuals and firms on a limited number of activities.

(2) An arrangement that allows buyers and sellers to exchange things.

(3) A place to buy groceries and other household items.

(4) A place where producers display their wares for sale.

4. The struggle among producers for consumer dollars is

(1) Incentive.

(2) Self-interest.

(3) Competition.

(4) Laissez faire.

5. Something, such as a reward or bonus that encourages people to behave in a certain way could be called

(1) An incentive.

(2) Self-interest.

(3) Competition.

(4) Laissez faire.

6. Why do markets exist?

(1) Because people are not self-sufficient and need goods and services produced by others

(2) Because people are naturally competitive

(3) Because everyone enjoys trade and business

(4) Because most people are entrepreneurial

7. How a society answers the key economic questions primarily depends on:

(1) How many resources it has available.

(2) A society's goals and values.

(3) The underutilization of resources.

(4) How it combines factors of production.

8. In a centrally planned economy, the three key economic questions are answered by the

- (1) Central government alone.
- (2) Central government with input from industry.
- (3) Marketplace alone.
- (4) Marketplace with some government involvement.

9. Government programs that protect people experiencing unfavorable economic conditions are

- (1) Essential to a market economy.
- (2) Factor payments.
- (3) A command economy.

(4) A safety net

10. Who answers the key economic questions in a centrally planned economy?

- (1) consumers
- (2) firms
- (3) government
- (4) households

11. What is a major disadvantage of a centrally planned economy?

- (1) It offers too many choices for consumers.
- (2) It cannot meet consumers' needs and wants.
- (3) It has no control over which goods and services are provided.
- (4) Its military forces are too weak to be effective.

12. Laissez faire is

- (1) The doctrine that states that government generally should not intervene in the marketplace.
- (2) A period of change in which an economy moves away from a centrally planned economy toward a market-based system.
- (3) A social and political philosophy characterized by its fair distribution of wealth.
- (4) A philosophy that states that government should control the marketplace.

American Free Enterprise & Economic Goals

1. Giving consumers the freedom to make their own economic choices is the fundamental purpose of

- (1) A centrally planned economy.
- (2) The free enterprise system.
- (3) Consumerism.
- (4) Socialism.

2. Complete the sentence to make a true statement. **Competition.....**

- (1) Creates artificially high prices for products and services.
- (2) Allows most businesses to make a profit.
- (3) Slows down innovation in the marketplace.
- (4) Means consumers have more economic choices.

3. Which of the following would be considered a public good?

- (1) A cartoon-themed amusement park
- (2) Yellowstone National Park
- (3) A membership-only country club
- (4) A shopping mall

4. What is a free rider?

- (1) 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.
- (2) A force that encourages people and organizations to improve their material well-being
- (3) An economic side effect of a good or service that generates costs to someone other than the person deciding how much to consume
- (4) A private organization that tries to persuade public officials to act or vote according to group members' interests

5. The total value of all final goods and services produced in a particular economy is called

- (1) The work ethic.
- (2) Microeconomics.
- (3) Macroeconomics.
- (4) The gross domestic product.

6. Which of the following is a public good?

- (1) An Internet provider
- (2) A construction company
- (3) A private garden
- (4) The military

7. Which of the following statements about externalities is FALSE?

- (1) Only the private sector can create both positive and negative externalities.
- (2) Negative externalities are unintended costs generated by the production of some goods and services.
- (3) A positive externality of education is the benefit to all of society from an educated population.
- (4) Many public goods and services generate positive externalities.

8. Welfare is

- (1) A faith-based initiative.
- (2) Government aid to the poor.
- (3) Goods and services provided to people over the age of 65.
- (4) The process used to produce a good or service.

9. Which of the following is NOT a cash transfer program?

- (1) Temporary Assistance for Needy Families
- (2) Social Security
- (3) Unemployment insurance
- (4) The Food Stamp Program

10. Subsidized housing is an example of

- (1) An in-kind benefit.
- (2) A faith-based initiative.
- (3) A cash transfer.
- (4) Workers' compensation.

11. An income level below that which is needed to support families or households is

- (1) Microeconomics.
- (2) The gross domestic product.
- (3) The poverty threshold.

Unemployment

1. What will most likely still occur when the economy has achieved full employment?

- (1) frictional, seasonal, and cyclical unemployment
- (2) seasonal, structural, and cyclical unemployment
- (3) frictional, seasonal, and structural unemployment
- (4) none of the above

2. If there were a recent downturn in the economy and some economists predicted a recession in the near future, then there is a strong possibility that there will be a

- (1) rise in frictional unemployment
- (2) fall in structural unemployment
- (3) rise in structural unemployment
- (4) rise in cyclical unemployment

3. The theory that inflation occurs when producers raise prices in order to meet increased costs is the

- (1) Demand-pull theory.
- (2) Cost-push theory.
- (3) Quantity theory.
- (4) Wage-price spiral.

4. The theory that too much money in the economy causes inflation is referred to as the

- (1) Demand-pull theory.
- (2) Cost-push theory.
- (3) Wage-price spiral.
- (4) Quantity theory.

5. Inflation that is out of control is referred to as

- (1) Hyperinflation.
- (2) Deflation.
- (3) The wage-price spiral.
- (4) The core inflation rate.

6. A measurement that shows how the average price of a standard group of goods changes over time is referred to as the

- (1) Market basket. (2) Inflation rate.
(3) Price index. (4) Core inflation rate.

*CPI
Consumer Price Index*

7. Which of the following statements refers to the wage-price spiral process?

- (1) Employees only receive a raise when their purchasing power has been eroded by inflation.
(2) The salary of a worker fluctuates with the amount of sales he or she accomplishes per month.
(3) A worker receives a raise, which increases costs for the employer.
(4) An employee loses his or her job, finds a position at another company and is underemployed.

8. Unemployment that occurs when workers' skills do not match the jobs that are available is called

- (1) Frictional unemployment. (2) Seasonal unemployment.
(3) Structural unemployment. (4) Cyclical unemployment.

9. Unemployment that occurs as a result of harvest schedules or vacations, or when industries slow or shut down during a certain time of year is referred to as

- (1) Frictional unemployment. (2) Seasonal unemployment.
(3) Structural unemployment. (4) Cyclical unemployment.

10. An official count of the population is the

- (1) Unemployment rate. (2) Full employment.
(3) Underemployed. (4) Census.

Taxes

1. A required payment to a local, state, or national government is referred to as

- (1) A tax. (2) A tax base.
(3) A property tax. (4) Revenue.

2. A proportional tax is

- (1) A tax for which the percentage of income paid in taxes decreases as income increases.
- (2) A tax for which the percentage of income paid in taxes increases as income increases.
- (3) A tax on the value of a company's profits.
- (4) A tax for which the percentage of income paid in taxes remains the same for all income levels.

3. The Medicare program is a national health insurance program that

- (1) Insures America's poorest people.
- (2) Covers people over the age of 65 and others with certain disabilities.
- (3) Only insures people who are under the age of 65.
- (4) Is funded by Social Security taxes.

4. Social Security is

Don't worry about this

- (1) Old-age, Survivors, and Disability Insurance (OASDI).
- (2) A national health insurance program that helps pay for health care for people over age 65 or with certain disabilities.
- (3) The use of taxation to encourage or discourage certain behavior.
- (4) The income on which individuals pay taxes.

5. Income received by a government from taxes and nontax sources is referred to as

- (1) Incidence of a tax.
- (2) Progressive tax.
- (3) Tax base.
- (4) Revenue.

6. A regressive tax is

- (1) A tax for which the percentage of income paid in taxes decreases as income increases.
- (2) A tax for which the percentage of income paid in taxes increases as income increases.
- (3) A tax on the value of a company's profits.
- (4) A tax for which the percentage of income paid in taxes remains the same for all income levels.

7. One of the reasons Medicare costs have been rising is

- (1) Hospitals are holding patients for longer periods of time.
- (2) Life spans of U.S. citizens are increasing.
- (3) Recent outbreaks of diseases have affected Medicare recipients.
- (4) The population of low-income families has risen.

8. An entitlement program that benefits low-income families, some people with disabilities, and elderly people in nursing homes is

- (1) Medicare.
- (2) Medicaid.
- (3) Social Security.
- (4) Mandatory spending.

9. The balanced budget is a budget

- (1) In which revenues are greater than spending.
- (2) In which revenues are equal to spending.
- (3) For day-to-day expenses.
- (4) For major capital, or investment, expenditures.

10. A "Flat" tax is

- (1) Progressive (3) Regressive
- (2) Proportional (4) Disproportional

Fiscal Policy

1. Government spending and revenue collection used to influence the economy is referred to as

- (1) Fiscal policy. (2) Federal budget.
- (3) Fiscal year. (4) An appropriations bill.

2. Expansionary policies are

- (1) Fiscal policies used to decrease aggregate demand, therefore reducing the growth of economic output
- (2) Fiscal policies, like lower spending and higher taxes, that reduce economic growth
- (3) Fiscal policies, like higher spending and tax cuts that encourage economic growth
- (4) Bills that set money aside for specific spending

3. Classical economics is

- (1) The idea that every one dollar of government spending creates more than one dollar in economic activity
- (2) The idea that free markets can regulate themselves
- (3) The idea that government spending and tax cuts help an economy by raising demand
- (4) A form of demand-side economics that encourages government action to increase or decrease demand and output

4. Ronald Reagan's action to cut taxes by 25% in the 1980's would most likely be celebrated by followers of which economic school of thought?

- (1) Council of Economic Advisers
- (2) Keynesian economics
- (3) Supply-side economics
- (4) Classical economics

5. A school of economics that believes tax cuts can help an economy by raising supply is

- (1) Classical economics
- (2) A Laffer Curve
- (3) Supply-side economics
- (4) Keynesian economics

6. A form of demand-side economics that encourages government action to increase or decrease demand and output is

- (1) Classical economics
- (2) A Laffer Curve
- (3) Supply-side economics
- (4) Keynesian economics

7. What are the primary tools of fiscal policy?

- (1) Operating budgets and contractionary policies
- (2) Government spending and taxation
- (3) Government spending and capital budgets
- (4) Interest rates and money supply

8. Contractionary policies are

- (1) Fiscal policies used to increase aggregate demand, therefore increasing the growth of economic output
- (2) Fiscal policies, like lower spending and higher taxes that reduce economic growth
- (3) Fiscal policies, like higher spending and tax cuts that encourage economic growth
- (4) Bills that set money aside for specific spending

9. Demand-side economics is

- (1) A school of economics that believes tax cuts can help an economy by raising supply
- (2) The idea that free markets can regulate themselves
- (3) The idea that government spending and tax cuts help an economy by raising demand
- (4) A form of economics that directs government to eliminate spending and to increase taxes

More so gov't spending than taxes.

10. Creating more money could increase the demand for goods and services

- (1) And also prevent inflation
- (2) But also risk raising the national debt
- (3) And also cause the crowding-out effect
- (4) but also risk causing the dollar to lose its value

11. A situation in which the government spends more than it takes in is a

- (1) Balanced budget (3) Budget deficit
- (2) Budget surplus (4) National debt

12. Very high inflation is referred to as

- (1) Balanced budget
- (2) Crowding-out effect
- (3) Budget deficit
- (4) Hyperinflation

13. Assuming the federal budget is balanced, if the government increases taxes and does not change anything else, then

- (1) There should be a budget surplus
- (2) There should be a budget deficit
- (3) The government should stop issuing treasury bonds
- (4) There will be a balanced budget

~~(1) The study of the economic behavior and decision making of small units, such as individuals, families, and businesses.~~

~~(2) The study of the behavior and decision making of entire economies. — Macroeconomics~~

~~(3) A commitment to the value of work and purposeful activity.~~

~~(4) A period of macroeconomic expansion followed by a period of contraction. — Business cycle~~

→ Microeconomic

— Macroeconomics

— Business cycle

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Double Question