

- legal 66. A patent for a new kind of hot-dog cooker would be an example of a(n) ? monopoly.
- Sherman 67. One of the first and most important antitrust laws was the ? Act of 1890.
- Federal Trade Commission 68. The ?, the governmental agency abbreviated as the FTC, investigates trade practices.
- Input 69. ? is the total amount of capital invested in the production of a good.
- Free 70. ? trade is the international exchange of goods in the absence of governmental tariffs, quotas, or other prohibitive regulations.

ESSAY: Answer the following question clearly and completely. (~5 points total)

71. Since businesses see monopolies and collaborating oligopolies as economically appealing, why are they rare in a country with a free market?

Answers may vary but should include the following ideas:

The freedom for firms to compete keeps down the number of monopolies and collaborating oligopolies. If there are only a few firms in an industry and they are able to charge high prices for their products, new firms will be attracted to the market. These new firms will try to win customers by offering lower prices and better quality.

MATCHING: Match the term with the correct definition or description. (~1 point each)

- | | |
|---------------------------------------|---|
| <u>M</u> 50. mercantilism | A. governed primarily by the private sector |
| <u>A</u> 51. free market economy | B. developed to avoid governmental regulation |
| <u>H</u> 52. command economy | C. results in productive inefficiency |
| <u>E</u> 53. perfect competition | D. provides products for which there are no close substitutes |
| <u>D</u> 54. monopoly | E. provides standardized products |
| <u>K</u> 55. monopolistic competition | F. seeks to shield domestic manufacturers from foreign competitors |
| <u>J</u> 56. oligopoly | G. formed by a group of businesses to eliminate competition |
| <u>G</u> 57. trust | H. governed primarily by the public sector |
| <u>L</u> 58. tying contract | I. allows producers to sell goods at different prices to different buyers |
| <u>I</u> 59. price discrimination | J. provides standardized or differentiated products |
| <u>C</u> 60. overspecialization | K. provides differentiated products |
| <u>F</u> 61. protectionism | L. forces buyers into buying products they do not want |
| | M. tries to build up a state's treasury |

COMPLETION: Write the word(s) that will best complete the statement. (~2 points each)

- black 62. A ? market is an illegal, underground system developed to avoid governmental regulations.
- ceiling 63. Rent control is an example of a price ?.
- Equilibrium 64. ? is the point at which quantity supplied and quantity demanded are equal.
- consumers 65. In a market economy, economic competition is like a contest among producers and ?.

- true 38. Supply is the relationship between a good's price and the amount that producers are willing to make available.
- elastic 39. If consumers cut in half the number of goods they buy from a producer who doubled his prices, the demand for the producer's goods is inelastic.
- supply 40. If a new bookstore moved into town, books would experience a change in quantity demanded.
- true 41. When demand for a good increases, the good's equilibrium price tends to increase.
- decrease 42. If the supply of tennis rackets increased while the demand remained steady, stores would likely increase the prices of rackets.
- taker 43. A firm that has no real control over the price it receives for its product is called a price setter.
- natural 44. When there is only one firm in an industry because it can fill the demand for a good more efficiently than if there were multiple firms, there is a legal monopoly.
- true 45. The American automobile industry is an example of a(n) oligopoly.
- true 46. Total cost is the sum cost of all the factors of production used in making goods.
- Efficiency 47. Proficiency is the quality of producing effectively with a minimum of waste.
- true 48. Comparative advantage is the ability of one entity to produce a good or provide a service at an opportunity cost that is lower than that of another producer.
- average 49. The effective division of labor results in low total costs and high comparative efficiency.

- Firm A 21. If Firm A can produce 50 thingamajigs or 40 whatchamacallits with the same amount of resources from which Firm B can produce 45 whatchamacallits or 65 thingamajigs, which firm has the comparative advantage in whatchamacallits?
- market signals 22. What do consumers send to producers to let them know what goods are wanted at what prices?
- large # of sellers, large # of buyers, standardized products, free access to markets, market info available to all parties 23. Name two of the five characteristics of perfect competition.
- large number of firms, differentiated products, easy access to market 24. List two of the three characteristics of monopolistic competition.
- keeping input steady while increasing output 25. What are the two methods by which efficiency can be improved?
- keeping output steady while reducing input 26.

MATCHING: Match the person with the correct concept, work, or description.

- | | |
|---|--------------------------------|
| <u>E</u> 29. Adam Smith | A. gunpowder entrepreneur |
| <u>B</u> 30. Karl Menger | B. Diamond-Water Paradox |
| <u>A</u> 31. E. I. du Pont | C. Physiocracy |
| <u>G</u> 32. David Ricardo | D. common course and condition |
| <u>F</u> 33. Henry Ford | E. invisible hand |
| <u>C</u> 34. Pierre Samuel du Pont de Nemours | F. mass production |
| | G. comparative advantage |

MODIFIED TRUE-FALSE: If the statement is true, write true. If it is false, replace the italicized word(s) with the word(s) that will make the statement true. (~1 point each)

- good 35. A service is a material item for which people will pay.
- true 36. The value of a good varies according to its utility and its scarcity.
- producer 37. A consumer is an individual who supplies products.

TEST 3 *Economics: Work and Prosperity*
(Nine-Weeks Exam) Chapters 1-7

MULTIPLE CHOICE: Choose the word or phrase that will best complete the statement or answer the question. (-1 point each)

- b 1. A truck used by a florist to deliver flowers is an example of a ? good.
 - a. consumer
 - b. capital
 - c. productive
 - d. supplier
- d 2. A(n) ? is a tax that a government places on imported goods.
 - a. toll
 - b. assessment
 - c. manifest
 - d. tariff
- c 3. Which group was the first to try to create a science out of economics?
 - a. imperialists
 - b. protectionists
 - c. physiocrats
 - d. mercantilists
- a 4. A nation whose resources are produced the same way they were 200 years ago has a ? economy.
 - a. traditional
 - b. command
 - c. free market
 - d. subsistence
- d 5. The proficiency of the market economy is owed to its freedom of enterprise and competition, limited government, and ? .
 - a. division of labor
 - b. productivity
 - c. natural resources
 - d. property rights
- b 6. If Gordon McConnell's accounting business had expenses equalling \$90,000 and revenues totalling \$115,000 last year, but he could have had a salary of \$80,000 working for someone else, what was his opportunity cost?
 - a. \$45,000
 - b. \$55,000
 - c. \$105,000
 - d. \$125,000
- c 7. ? is the amount of satisfaction that results from a one-unit increase of a good.
 - a. Utility
 - b. Total utility
 - c. Marginal utility
 - d. Diminishing marginal utility
- b 8. ? is the main reason why countries with market economies are generally prosperous.
 - a. Ambition
 - b. Competition
 - c. Energy
 - d. Contention

Test 2, page 5

ESSAY: Answer the following questions clearly and completely.
(-5 points total per question)

48. Explain the laws of supply and demand in your own words.

Answers may vary but should include the following concepts:

- Law of Demand—"Other things remaining equal, the higher the price of a good rises, the smaller is the quantity demanded and vice versa in a free market economy."
- Law of Supply—"Other things remaining equal, the higher the price of a good rises, the greater is the quantity supplied and vice versa in a free market economy."

49. Why are businesses that are able to make tremendous profits relatively rare in a free market economy?

Answers may vary but should include some of the following ideas:

- The presence of competition usually prohibits businesses from charging prices that would make them large profits. If a business sets its prices too high, consumers will buy from its competitors.
- Businesses have many expenses, including what they must pay for natural resources, labor, capital, entrepreneurship, taxes, insurance, advertising, etc.

Test 2, page 4

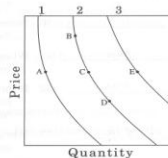
Economics: Work and Prosperity

MATCHING: Match the term with the correct definition or description. (-1 point each)

- | | |
|--------------------------------|---|
| <u>D</u> 35. equity | A. the amount of money a buyer gives a seller |
| <u>G</u> 36. value in use | B. caused by too many goods being supplied |
| <u>I</u> 37. value in exchange | C. tend to cause shortages of goods |
| <u>A</u> 38. price | D. the value of something minus liabilities |
| <u>C</u> 39. price ceilings | E. granted by government for the assistance of industries |
| <u>H</u> 40. price floors | F. developed to avoid governmental regulation |
| <u>F</u> 41. black markets | G. the value of the direct benefit the owner of a good receives |
| <u>E</u> 42. subsidies | H. tend to cause surpluses of goods |
| | I. the value of a particular good in trade for some other good |

MODIFIED TRUE-FALSE: Using the information in the chart, answer the following questions. If the statement is true, write true. If it is false, replace the italicized portion with the word(s) that will make the statement true. (-2 points each)

- lower 43. The price paid for a good is ? higher at point D than it is at point C.
- demand 44. A shift from curve 2 to curve 3 would represent an increase in ? .
- demand 45. Curve 1 is an example of a ? curve.
- true 46. The price paid for a good is ? lower at point D than it is at point E.
- demanded 47. A shift from point C to point B indicates a change in price and the quantity ? .



Test 2, page 3

(Any two: technology; prices of related goods; resource prices; number of sellers; producer expectations; gov't. taxes, subsidies, & regulations)

21. ? and ? are two of the six factors that can cause a shift in a good's supply.
22. diminishing 23. If you already owned three pairs of black shoes and someone gave you another, this fourth pair would have ? marginal utility.
- profit 24. The ? motive gives people the incentive to work in order to acquire money and goods.
- Equilibrium 25. ? is the point at which quantity demanded and quantity supplied are equal.
- floor 26. A government-established minimum wage is an example of a price ? .

TRUE-FALSE: Write true or false in the blank. (-2 points each)

- false 27. When the price of a good falls, the quantity demanded tends to decrease.
- false 28. If the demand for snowmobiles remained steady while the supply grew larger, producers would be able to increase prices.
- true 29. When the price of a good rises, the quantity demanded tends to decrease.
- true 30. Since bread is a complement of peanut butter, the demand for peanut butter will decrease if the price of bread rises.
- false 31. When the price of a good rises, the quantity supplied tends to decrease.
- true 32. If the demand for a car dealer's new convertibles fell but he still wanted to sell the same amount of cars, he would have to decrease his prices.
- false 33. When the price of a good falls, the quantity supplied tends to increase.
- false 34. When a government fixes a good's price above the point where it would naturally fall, the result is usually a shortage of that good.

MODIFIED TRUE-FALSE: If the statement is true, write *true*. If it is false, replace the italicized word(s) with the word(s) that will make the statement true. (-2 points each)

- true 9. If a hardware-store owner wished to know what kinds of hammers to make available, he would pay attention to the *market signals* consumers sent.
- rise (or increase) 10. If the supply of stereos fell while consumer demand remained steady, the average price of a stereo would *fall*.
- shortage 11. If a grocery store were to introduce a brand of frozen peas at a price significantly below the equilibrium price of similar products, the result would likely be a *surplus* of the new brand.
- true 12. A country whose resources are distributed by its government has an economy controlled by the *public* sector.
- Opportunity 13. *Total* cost is the value of the best alternative that is foregone when a different alternative is taken.
- curve 14. A demand *schedule* is a graphic representation of the amount of goods purchased at different prices.
- inferior 15. The purchase of *normal* goods, such as used tires, decreases as the average income rises.
- true 16. *Demand* is the relationship between a good's price and the amount that consumers buy.
- inelastic 17. If a producer suddenly triples the price he charges for a product but consumers continue to buy the same amount, the demand for the good is *elastic*.
- horizontal 18. Economists use the *vertical* axis of a graph to represent supply.

COMPLETION: Write the word(s) that will best complete the statement. (-2 points each)

- (Any two.) income, *tastes and preferences*, 19. and are two of the five factors that can change the demand for a good.
- population, consumer expectations, price of *related goods* 20.

TEST 2

Economics: Work and Prosperity
Chapters 4-5

MULTIPLE CHOICE: Choose the word or phrase that will best complete the statement or answer the question. (-2 points each)

- b 1. The quantity of a good that producers will make available at different prices is the .
- a. stock c. demand
b. supply d. equilibrium
- c 2. is the amount of satisfaction that results from a one-unit increase of a good.
- a. Utility c. Marginal utility
b. Total utility d. Diminishing marginal utility
- d 3. A non-durable good has a life expectancy of less than .
- a. 3 months c. 1 year
b. 6 months d. 3 years
- b 4. A nation with a totalitarian government has a economy.
- a. traditional c. free market
b. command d. mixed
- d 5. In a free market, who ultimately determines what goods are produced and in what quantities?
- a. the market researcher c. the product designer
b. the government d. the consumer
- c 6. The excess of total revenue over total expense is a producer's .
- a. assets c. profit
b. liabilities d. loss
- c 7. If Miss Johnson quit a job where she annually made \$40,000 to start a business whose expense was \$20,000 and total revenue was \$15,000 during the first year, her opportunity cost for the year equaled .
- a. \$5,000 c. \$45,000
b. \$25,000 d. \$60,000
- a 8. The effect says that when the price of a certain good rises, people tend to find alternatives that are less expensive.
- a. substitution c. income
b. complement d. elasticity