1. \_\_\_\_\_\_\_\_\_\_Which characterizes perfect competition in a free enterprise system?

1. One firm is dominant
2. Government regulates all decisions
3. Numerous buyers and sellers
4. Low profit margins

2. \_\_\_\_\_\_\_\_\_\_\_ The market value of all final goods and services produced in a country in a given year is the

1. Net National Product
2. National Income
3. Producer Price Index
4. Gross Domestic Product
5. \_\_\_\_\_\_\_\_\_\_In a market economy,
6. The price and quantity of goods is determined by the interaction of supply and demand
7. The central government runs the economy
8. Economic decisions are made by groups of people for the good of the community
9. The price and quantity of traded goods are based on customs and tradition

4. \_\_\_\_\_\_\_\_\_\_A basic assumption of economics is that

A. Wants are unlimited

B. Means are unlimited

C. Incentives are irrelevant

D. Consumers are irrational

5. \_\_\_\_\_\_\_\_\_\_\_\_In a command economy, major economic decisions are made by

A. wholesalers of agricultural goods

B. officials of the government

C. manufacturers of industrial goods

D. consumer advocates

6. \_\_\_\_\_\_\_\_\_\_\_\_All the following are factors of production **except**

A. Capital

B. Labor

C. Natural Resources

D. Government spending

7. \_\_\_\_\_\_\_\_\_\_\_\_\_Which of the following would most likely be a Monopoly?

A. A supermarket

B. A dentist’s office

C. An appliance store

D. An electricity provider

8. \_\_\_\_\_\_\_\_\_\_\_\_\_ When three or four firms in an industry produce 70% or more of the industry’s total output, the industry is classified as

1. Perfect competition
2. Monopolistic competition
3. Monopoly
4. Oligopoly

9. \_\_\_\_\_\_\_\_\_\_\_\_\_\_According to the Law of Demand

A. quantity demanded decreases as price increases

B. quantity demanded increases as price increases

C. quantity demanded is unaffected by price changes

D. a price increase causes the demand curve to shift to the left

10. \_\_\_\_\_\_\_\_\_\_\_\_\_\_A labor union is an organization which seeks to

A. Improve wages and working conditions for its members

B. Keep unskilled workers from getting jobs in industry

C. Unite employees and employers in one organization

D. Make employers sign yellow-dog contracts

11. \_\_\_\_\_\_\_\_\_\_\_\_\_\_Collective bargaining most frequently occurs between

A. Union representation and management

B. corporations and sole proprietorships

C. striking workers and workers who have crossed the picket line

D. unskilled laborers and landowners

12. \_\_\_\_\_\_\_\_\_\_\_\_One way the Federal Reserve Bank “uses monetary policy” to stimulate/expand the economy is to

A. Decrease interest rates

B. Increase interest rates

C. Increase taxes

D. Cut college tax credits completely

13. \_\_\_\_\_\_\_\_\_\_\_\_A certificate issued to a private individual by a corporation with the promise to pay back the value of the certificate plus interest is known as a

A. bond C. share

B. stock D. asset

14. \_\_\_\_\_\_\_\_\_\_\_\_All people 16 and older who are working or looking for work make up the

A. Labor Unions C. Salaried employees

B. Wage earners D. Labor Force

15. \_\_\_\_\_\_\_\_\_\_\_\_ A legal declaration of an inability to pay debts is referred to as

A. Bankruptcy C. A credit overdraft

B. A budget deficit D. A budget surplus

16. \_\_\_\_\_\_\_\_\_\_\_\_ Gross Domestic Product (GDP) is a measurement of the

A. total amount of currency in circulation at one time

B. dollar value of goods and services produced by the economy in one year

C. amount of money taken by the government annually in the form of taxes

D. difference between dollar values of imported and exported goods

17. \_\_\_\_\_\_\_\_\_\_\_\_ A corporation is owned by

A. Bondholders

B. Board of Directors

C. Stockholders

D. The government

18. \_\_\_\_\_\_\_\_\_\_\_\_The condition that occurs when government revenues are greater than government expenditures is referred to as a budget

A. Shortage

B. Ceiling

C. Surplus

D. Deficit

19. \_\_\_\_\_\_\_\_\_\_\_\_ The main purpose of a progressive tax is to

A. Base tax rates on a person’s ability to pay

B. Increase government spending on welfare programs

C. Tax everyone at the same percentage rate

D. Ensured a balanced budget

20. \_\_\_\_\_\_\_\_\_\_\_\_ The investment with the least amount of risk is

A. Common stock

B. Preferred Stock

C. U.S. Savings Bonds

D. Corporate Bonds

21. \_\_\_\_\_\_\_\_\_\_\_\_The principal aim of the North American Free Trade Association (NAFTA) and European Union is to

A. Eliminate global terrorism

B. Make trade easier between member nations

C. Keep communism out of the western hemisphere

D. Reduce environmental pollution

21. \_\_\_\_\_\_\_\_\_\_\_\_Supply refers to

A. The amount of available resources

B. The quantity of a product that firms are willing to produce

C. The number of consumers who buy a particular product

D. The use of the price system in a free enterprise