

Name _____ Date _____ Class _____

T E S T ♦ *Chapter 2, Test Form A*

E **CONOMIC SYSTEMS AND DECISION MAKING**

SCORE

USING KEY TERMS

Matching: Match each item in column A with the items in column B. Write the correct letters in the blanks.

A

- _____ 1. Social Security
- _____ 2. economic system
- _____ 3. profit motive
- _____ 4. fixed income
- _____ 5. capitalism
- _____ 6. command economy
- _____ 7. mixed economy
- _____ 8. profit
- _____ 9. voluntary exchange
- _____ 10. private property rights

B

- a. act of buyers and sellers freely and willingly engaging in market transactions
- b. driving force that encourages people and organizations to improve their material well-being
- c. organized way in which a society provides for the wants and needs of its people
- d. extent to which individuals or organizations are better off at the end of an economic exchange than before the exchange
- e. economic system in which people carry on their economic affairs freely but are subject to some government intervention
- f. privilege that entitles people to own their possessions
- g. market economy in which private citizens own the factors of production
- h. federal program of disability and retirement benefits that covers most working people
- i. economy in which a central authority makes most of the WHAT, HOW, and FOR WHOM decisions
- j. income that does not increase even if prices go up

RECALLING FACTS AND IDEAS

Multiple Choice: In the blank at the left, write the letter of the choice that best completes the statement or answers the question.

- _____ 11. The purpose of government in a command economy is to
 - a. ensure the availability of consumer products.
 - b. encourage entrepreneurs.
 - c. make major economic decisions.
 - d. promote economic freedom.
- _____ 12. An example of a market economy is
 - a. the Inuit.
 - b. the former Soviet Union.
 - c. the United States.
 - d. North Korea.
- _____ 13. Which of the following is NOT considered an economic and social goal?
 - a. economic efficiency
 - b. economic growth
 - c. price stability
 - d. entrepreneurship

TEST (continued)

Chapter 2, Test Form A

- ____ 14. Which group of people ultimately determines the products that a free enterprise economy produces?
- a. Congress
b. property owners
c. local government
d. consumers
- ____ 15. The United States can best be described as having a
- a. modified private enterprise system.
b. traditional system.
c. command economy.
d. pure free enterprise system.

CRITICAL THINKING QUESTIONS

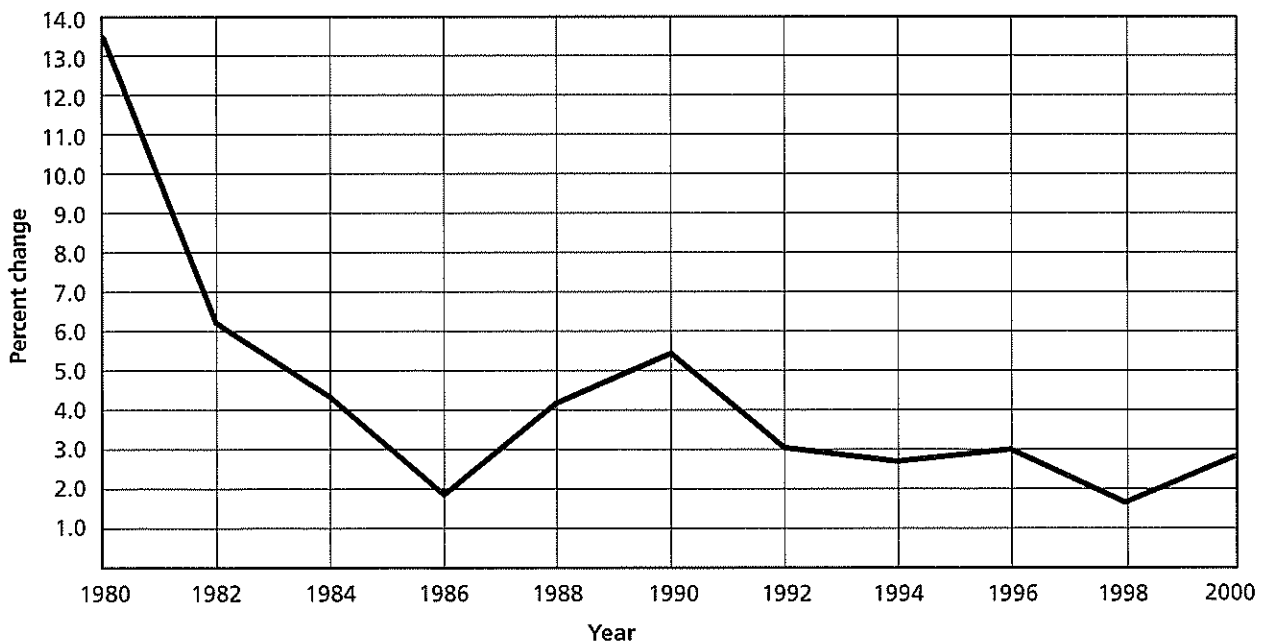
Directions: Answer each of the following sets of questions on a separate sheet of paper.

16. **Making Comparisons** Compare a command economy to a traditional economy by listing a strength and a weakness of each. State how each type of economy satisfies the wants and needs of individuals.
17. **Synthesizing Information** Discuss inflation as it affects one of the following: labor, consumers, or government spending.

APPLYING SKILLS

Using Graphs: Study the graph and answer the questions below.

Inflation 1980–2000



Source: U.S. Department of Labor, Bureau of Labor Statistics

18. During which two-year period did inflation increase the most?
19. During which year was inflation at the highest?
20. What was the approximate percentage change in inflation from 1990 to 1992? Did it increase or decrease?

TEST (continued) **Chapter 2, Test Form A**

GRAPHICS AND DOCUMENT-BASED QUESTIONS

Directions: In the blank to the left, write the letter of the choice that best completes the statement or answers the question.

"[E]very individual, therefore, endeavours as much as he can [to direct his resources toward his own business] so that its produce may be of greatest value; every individual . . . neither intends to promote the public interest, nor knows how much he is promoting it. . . He intends only his own gain, and he is in this...led by an invisible hand to promote an end which was no part of his intention. . . By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it."

From Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nation, 1776.

- _____ 21. According to Adam Smith, what directs the choices business people make about how to use their resources?
- a. government
 - b. desire to benefit society
 - c. economic equity
 - d. profit

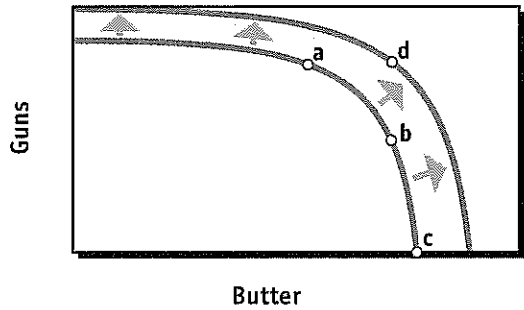


- _____ 22. This cartoonist would like government to
- a. set higher ergonomic standards for the workplace.
 - b. interfere with business less.
 - c. protect business more.
 - d. provide more public services.

TEST (continued) **Chapter 1, Test Form B**

GRAPHICS AND DOCUMENT-BASED QUESTIONS

Directions: In the blank to the left, write the letter of the choice that best completes the statement or answers the question.



- ____ 21. Which of the following choices best describes what this production possibilities frontier is depicting?
- a. alternative possibilities
 - b. opportunity cost
 - c. cost of idle resources
 - d. economic growth

Percent of Chinese Families Owning Household Appliances

Year	Color TV Sets	Air Conditioners	Telephones	Automobiles
1985	92.31	23.95	82.12	2.32
1990	98.26	47.26	93.08	6.77
1999	99.31	78.89	98.00	38.92

- ____ 22. What does this table show about China's standard of living?
- a. It is falling.
 - b. It is rising.
 - c. It is staying about the same.
 - d. It rose from 1985 to 1990 and then fell.

Economic literacy is [like] having a working knowledge of a foreign language. If you are with a group of foreigners and don't speak their language at all, . . . you feel excluded. . . . If you have a rudimentary working knowledge of the language, you can at least follow the drift of the conversation, ask a few questions and feel that, even if you are not getting the fine points, you are not totally left out and you have a basis for acquiring more knowledge. That, it seems to me, is what economic literacy means—a rudimentary working knowledge of the concepts and language of economic activity. . . .

Source: Alice Rivlin, Economist.

- ____ 23. According to Alice Rivlin in the passage, if you have a rudimentary working knowledge of economic concepts, you will be
- a. left out of conversations about economic issues.
 - b. able to ask questions to gain more knowledge.
 - c. unable to talk about economic issues with foreigners.
 - d. able to understand the fine points about issues.

TEST (continued)

Chapter 1, Test Form B

Directions: Answer each of the following questions on a separate sheet of paper.

The Factors of Production



____ 24. Name and describe the factor of production that is missing from this illustration.

Twinkies were invented in 1930 by James Dewar, a bakery plant manager. It didn't make sense to Dewar that the bakery had lots of expensive pans dedicated to a product called Little Short Cake Fingers that was baked only six weeks a year, during strawberry season. To sell the cakes year-round, he mixed up a banana-flavored cream to replace the strawberry cream filling and figured out how to inject it into the shortcake using three syringe-like injection tubes.

Adapted from Jack Mingo's How the Cadillac Got Its Fins, HarperCollins, © 1994.

____ 25. Identify the capital in this passage.

Economic Vocabulary Activity

shareholder (a. 1828) : one who has a part in ownership; esp : ST

CHAPTER 2: ECONOMIC SYSTEMS AND DECISION MAKING

Directions: Write one of the following terms on each numbered line below to complete the news report. Two terms are not used.

Social Security	capitalism	economic system
market economy	fixed income	voluntary exchange
consumer sovereignty	inflation	private property
command economy	profit	mixed economy

The kickoff for Governor Ed Ham's bid for reelection began last night with his campaign speech to several hundred senior citizens concerned by the recent rise in **1.** _____, which has brought food prices to a nearly unacceptable level for those living on a **2.** _____. He also spoke to a large group of people who survive only on **3.** _____ payments, which have been threatened by recent attempts of Congress to reduce benefits.

"Our **4.** _____ has not always been successful in providing for the wants and needs of our citizens," Governor Ham said. "You may feel that the **5.** _____ has left you behind and without choices or power to affect what companies produce and charge. What we need to do is go back to the basics of **6.** _____ so that citizens can once again own the factors of production," he added.

When asked how he proposes to carry out his plans, Governor Ham said he believes strongly in benefiting both buyers and sellers with opportunities for a **7.** _____ that will bring more money and **8.** _____ to all. He wants to give **9.** _____ back to the buying public so they can once again rule the market. He also mentioned the need for laws to protect **10.** _____ so people are freer to do what they wish with their possessions.

Copyright © by The McGraw-Hill Companies, Inc.