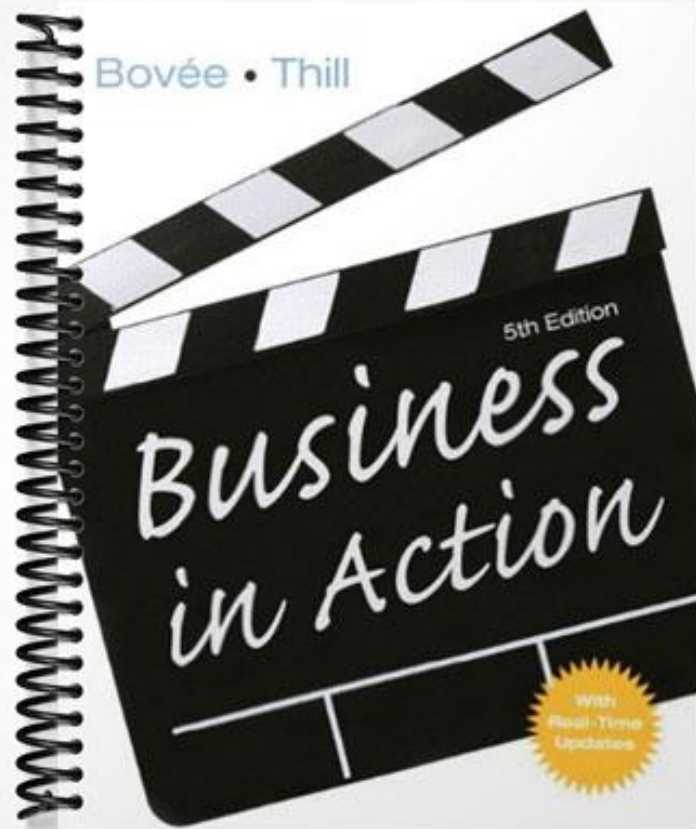


**TEST BANK**



Exam

Name: Bovee 5e Chapter 2

- 1) Buildings, equipment and money that a business needs in order to produce its good and services are called \_\_\_\_\_.
- A) entrepreneurship
  - B) natural resources
  - C) capital
  - D) knowledge
  - E) human resources

Answer: C

Diff: 1 Page Ref: 27

Skill:

- 2) \_\_\_\_\_ is the study of how a society uses its scarce resources to produce and distribute goods and services to its citizens.
- A) Economics
  - B) Allocation
  - C) Productivity
  - D) Entrepreneurship
  - E) Trade-offs

Answer: A

Diff: 1 Page Ref: 27

Skill: Dynamics of the global economy

- 3) The study of a regional, national or global economy, including such issues as the effects of government policies, competitive behavior among firms, and how that economy allocates its scarce resources is \_\_\_\_\_.
- A) macroeconomics
  - B) entrepreneurship
  - C) microeconomics
  - D) socialism
  - E) capitalism

Answer: A

Diff: 2 Page Ref: 27

Skill: Dynamics of the global economy

- 4) The time, effort, talents, capabilities and labor of the employees of an organization would be classified as \_\_\_\_\_.
- A) entrepreneurship
  - B) natural resources
  - C) human resources
  - D) capital
  - E) knowledge

Answer: C

Diff: 1 Page Ref: 27

Skill:

- 5) Microeconomics is the study of:
- A) the monetary and fiscal policy of a society.
  - B) the interaction of global economic systems.
  - C) how a society allocates its resources to satisfy the needs of its citizens.
  - D) a nation's economic issues, such as the effect of government policies and the ownership of factors of production.
  - E) how consumers and businesses collectively determine the quantity of goods and services supplied at different prices.

Answer: E

Diff: 2 Page Ref: 27

Skill: Dynamics of the global economy

- 6) \_\_\_\_\_ is the concept that the supply of the factors of production is limited.
- A) Shortage
  - B) Capital
  - C) Scarcity
  - D) Private enterprise
  - E) Competition

Answer: C

Diff: 1 Page Ref: 27

Skill: Analytic skills

- 7) The means by which a society distributes its resources in order to satisfy the needs of its citizens is a(n) \_\_\_\_\_.
- A) distribution system.
  - B) economic system.
  - C) supply system.
  - D) sociopolitical system.
  - E) opportunistic system.

Answer: B

Diff: 1 Page Ref: 28

Skill: Dynamics of the global economy

- 8) A business owner has to decide whether the company should purchase new manufacturing equipment, open a new retail store in another city, or invest in a major advertising campaign. This decision would be referred to as a(n) \_\_\_\_\_.
- A) factor analysis.
  - B) resource development analysis
  - C) trade-off.
  - D) opportunity cost
  - E) demand/supply determination

Answer: C

Diff: 2 Page Ref: 28

Skill: Analytic skills

- 9) A business owner has to decide whether the company should purchase new manufacturing equipment, open a new retail store in another city, or invest in a major advertising campaign. The value of the most attractive option that the business owner did NOT choose is its \_\_\_\_\_.

- A) resource value
- B) trade-off cost
- C) opportunity cost
- D) decisional value
- E) factor analysis determination

Answer: C

Diff: 2 Page Ref: 28

Skill: Analytic skills

- 10) The economic system in which individuals and businesses make the decisions about what products or services to produce, how to produce them, to whom to sell them and at what prices would BEST be described as a \_\_\_\_\_.
- A) command economy
  - B) planned system
  - C) free-market system
  - D) communist economy
  - E) regulated economy

Answer: C

Diff: 2 Page Ref: 29

Skill: Dynamics of the global economy

- 11) An economic system where individuals own and operate the majority of businesses with limited economic intervention by the government is characteristic of a \_\_\_\_\_ economy.
- A) communist
  - B) free-market
  - C) planned
  - D) socialist
  - E) mixed-market

Answer: E

Diff: 2 Page Ref: 29

Skill: Dynamics of the global economy

- 12) The economic system that allows individuals the LEAST amount of economic freedom is \_\_\_\_\_.
- A) nationalism
  - B) socialism
  - C) communism
  - D) capitalism
  - E) a free market economy

Answer: C

Diff: 1 Page Ref: 29

Skill: Dynamics of the global economy

- 13) In the country of Lindh, the government owns many of the key industrial sectors, such as banking, telecommunications and utilities, but private ownership of businesses in less-vital industries is allowed. What type of economic system does Lindh have?
- A) industrialism
  - B) capitalism
  - C) communism

- D) socialism
- E) free-market economy

Answer: D

Diff: 1 Page Ref: 29

Skill: Analytic skills

- 14) The State of Indiana leased the Indiana Toll Road to a company that maintains and operates the road and collects tolls. This is an example of \_\_\_\_\_.
- A) nationalization.
  - B) privatization.
  - C) capitalism.
  - D) communism.
  - E) socialism.

Answer: B

Diff: 2 Page Ref: 30

Skill: Analytic skills

- 15) In early 2009, the Irish government announced plans to take over the Anglo Irish Bank. This is an example of \_\_\_\_\_.
- A) privatization.
  - B) capitalization.
  - C) socialization.
  - D) capitalism.
  - E) nationalization.

Answer: E

Diff: 2 Page Ref: 30

Skill: Analytic skills

- 16) The U.S. government's use of Blackwater Security Consulting, a military security company, to guard officials and military installations in Iraq is an example of \_\_\_\_\_.
- A) capitalization
  - B) privatization
  - C) communism
  - D) socialization
  - E) nationalization

Answer: B

Diff: 2 Page Ref: 30

Skill: Analytic skills

- 17) \_\_\_\_\_ refers to the quantities of products or services that producers are willing to provide at different prices at a specific time.
- A) Market price
  - B) Competition
  - C) Demand
  - D) Equilibrium
  - E) Supply

Answer: E

Diff: 2 Page Ref: 31

Skill:

- 18) A seller may decide to lower prices for its goods or services in order to stimulate \_\_\_\_\_.
- A) inventory
  - B) yield
  - C) supply
  - D) marketing expenditures
  - E) demand

Answer: E

Diff: 2 Page Ref: 31

Skill:

- 19) \_\_\_\_\_ is the willingness and ability of customers to buy a product or service at a given price.
- A) Equilibrium
  - B) Inflation
  - C) Competition
  - D) Market price
  - E) Demand

Answer: E

Diff: 1 Page Ref: 31

Skill:

- 20) If consumer demand for a product decreases, the demand curve would move:
- A) to the left.
  - B) upward.
  - C) to the right.
  - D) downward.
  - E) There would be no change in the demand curve.

Answer: A

Diff: 2 Page Ref: 31

Skill: Analytic skills

- 21) Consumer income and the prices of substitute and complementary products are factors that can affect the \_\_\_\_\_.
- A) inflation rate
  - B) deflation rate
  - C) demand curve
  - D) supply curve
  - E) competitive balance

Answer: C

Diff: 2 Page Ref: 31

Skill: Analytic skills

- 22) The \_\_\_\_\_ shows the quantity of a given product that producers are willing to sell at different prices at a specific point in time.
- A) equilibrium point
  - B) business cycle
  - C) supply curve
  - D) competitive analysis
  - E) demand curve

Answer: C

Diff: 1 Page Ref: 32

Skill:

23) The supply curve shows the relationship between prices and quantities that sellers will offer for sale regardless of \_\_\_\_\_.

- A) profitability
- B) quality
- C) marketability
- D) demand
- E) efficiency

Answer: D

Diff: 2 Page Ref: 32

Skill:

24) All of the following would trigger a shift in the demand curve of a product EXCEPT:

- A) an decrease or increase of the prices of substitute products.
- B) an increase in the number of customers.
- C) a decrease in the cost of production.
- D) customer preference for the product.
- E) an increase or decrease in customer income.

Answer: C

Diff: 3 Page Ref: 32

Skill: Analytic skills

25) A pizza restaurant in a small town is willing to make and sell 50 pizzas each month at a price of \$12 each. Customers in the same small town are willing to buy 50 pizzas each month at the same price. The price of \$12 per pizza would be BEST described as the \_\_\_\_\_ price.

- A) ideal
- B) historic
- C) opportunity
- D) marginal
- E) equilibrium

Answer: E

Diff: 2 Page Ref: 33

Skill: Analytic skills

26) What is the point at which the quantity supplied equals the quantity demanded?

- A) fixed
- B) equilibrium
- C) supply/demand crossover
- D) balancing
- E) marginal

Answer: B

Diff: 1 Page Ref: 33

Skill:

27) When the quantity of a product or service that a seller is willing to provide matches the quantity that buyers will buy, the \_\_\_\_\_ is established.

- A) consumer price
- B) demand price
- C) crossover price
- D) equilibrium price
- E) supply price

Answer: D

Diff: 1 Page Ref: 33

Skill:

28) \_\_\_\_\_ is rivalry among businesses for the same customers.

- A) Demand
- B) Stabilization
- C) Competition
- D) Cooperation
- E) Monopoly

Answer: C

Diff: 1 Page Ref: 34

Skill:

29) What is the term that describes two or more suppliers in pursuit of the same customers?

- A) Monopolization
- B) Price fixing
- C) Cooperation
- D) Stabilization
- E) Competition

Answer: E

Diff: 1 Page Ref: 34

Skill:

30) In nearly all U.S. cities, there is only one provider of electric power in a given geographic area. This is an example of what type of competition?

- A) monopoly
- B) anarchy
- C) a competitive cartel
- D) pure competition
- E) monopolistic competition

Answer: A

Diff: 1 Page Ref: 34

Skill: Analytic skills

31) There are 24 pizza restaurants in the same small city. Each restaurant claims to have the "best pizza in town" and advertises the ways in which its pizza is different - and better - than their competitors' pizza. This would be an example of \_\_\_\_\_.

- A) a monopoly
- B) anarchy
- C) a competitive cartel
- D) monopolistic competition
- E) pure competition

Answer: D

Diff: 2 Page Ref: 34



Skill: Analytic skills

32) A(n) \_\_\_\_\_ is a period of at least six months in which national income, employment and production all fall.

- A) depression
- B) inflationary cycle
- C) business cycle
- D) recession
- E) recovery

Answer: D

Diff: 2 Page Ref: 35

Skill: Dynamics of the global economy

33) The period in the business cycle when consumers begin to buy more goods and services, manufacturers begin to produce more goods, and employment is relatively high is known as \_\_\_\_\_.

- A) deregulation
- B) an inflationary cycle
- C) recovery
- D) a deflationary period
- E) a recession

Answer: C

Diff: 1 Page Ref: 35

Skill: Dynamics of the global economy

34) Economists refer to the continuous contraction and expansion of an economy as the \_\_\_\_\_.

- A) consumer price index
- B) gross domestic product
- C) business cycle
- D) competitive cycle
- E) recovery phase

Answer: C

Diff: 1 Page Ref: 35

Skill:

35) \_\_\_\_\_ unemployment is the natural movement of workers into and out of jobs, such as when a person quits one job without first lining up a new one.

- A) Intrinsic
- B) Structural
- C) Frictional
- D) Seasonal
- E) Cyclical

Answer: C

Diff: 2 Page Ref: 35

Skill:

36) During the economic recession in 1980-82, unemployment rose to nearly 11% nationwide. This would be categorized as \_\_\_\_\_ unemployment.

- A) structural
- B) intrinsic

- C) frictional
- D) cyclical
- E) seasonal

Answer: D

Diff: 2 Page Ref: 36

Skill: Analytic skills

37) When the average price of goods and services throughout the economy experiences a steady increase, this is known as

\_\_\_\_\_.

- A) depression
- B) deflation
- C) disinflation
- D) a recession
- E) inflation

Answer: E

Diff: 1 Page Ref: 36

Skill: Dynamics of the global economy

38) Which of the following would be an example of deregulation?

- A) banning the sale of tobacco to minors under the age of 18
- B) lowering the speed limit on an interstate highway
- C) approving a proposed merger between Ticketmaster and Live Nation
- D) lifting restrictions on airline competition
- E) establishing economic development zones to attract new businesses

Answer: D

Diff: 2 Page Ref: 37

Skill: Analytic skills

39) The Federal Trade Commission (FTC) is charged with the following duties:

- A) enforcing laws and regulations to prevent distribution of harmful foods and drugs
- B) enforcing laws regarding unfair business practices and deceptive advertising
- C) protecting the national transportation infrastructure
- D) regulating and overseeing carriers engaged in interstate transportation
- E) overseeing communication by telephone, telegraph, radio and television

Answer: B

Diff: 3 Page Ref: 38

Skill:

40) \_\_\_\_\_ laws limit companies from becoming too powerful in an industry.

- A) Economic stimulation
- B) Antitrust
- C) Conversionary
- D) Stabilization
- E) Fiscal

Answer: B

Diff: 1 Page Ref: 39

Skill:

41) The government uses \_\_\_\_\_ policy to expand or contract the economy by increasing or lowering taxes and government spending and creating new projects to expand employment opportunities.

- A) monetary
- B) fiscal
- C) cyclical
- D) antitrust
- E) taxation

Answer: B

Diff: 2 Page Ref: 40

Skill: Dynamics of the global economy

42) In the U.S., \_\_\_\_\_ policy is controlled primarily by the Federal Reserve Board.

- A) monetary
- B) cyclical
- C) antitrust
- D) taxation
- E) fiscal

Answer: A

Diff: 2 Page Ref: 40

Skill:

43) Statistics that measure variables in the economy such as interest rates, unemployment rates and housing data are called \_\_\_\_\_.

- A) economic indicators
- B) monetary gauges
- C) economic curves
- D) fiscal indications
- E) policy indicators

Answer: A

Diff: 2 Page Ref: 41

Skill: Dynamics of the global economy

44) In early December, it was reported that new housing starts in October 2009 fell to their lowest level in 6 months. What term would BEST describe these statistics?

- A) latent indicator
- B) leading indicator
- C) conversionary indicator
- D) lagging indicator
- E) current indicator

Answer: D

Diff: 2 Page Ref: 41

Skill: Analytic skills

- 45) Consumer spending for the month of October rose 1.5%, and economists think this could mean an increase in holiday spending. This would be an example of a(n) \_\_\_\_\_ indicator.
- A) current
  - B) lagging
  - C) conversionary
  - D) latent
  - E) leading

Answer: E

Diff: 2 Page Ref: 41

Skill: Analytic skills

- 46) Retail sales on the day after Thanksgiving are usually a good indicator of overall retail sales for the Christmas season. This is an example of (a) \_\_\_\_\_ indicator.
- A) lagging
  - B) conversionary
  - C) latent
  - D) current
  - E) leading

Answer: E

Diff: 2 Page Ref: 41

Skill: Analytic skills

- 47) The value of all final goods and services produced by businesses located within a nation's borders is referred to as its \_\_\_\_\_.
- A) economic stability index (ESI)
  - B) producer price index (PPI)
  - C) consumer price index (CPI)
  - D) gross domestic product (GDP)
  - E) gross national product (GNP)

Answer: D

Diff: 1 Page Ref: 42

Skill:

- 48) This index compares changes in the prices of a representative basket of goods and services such as clothing, food, housing and utilities.
- A) producer price index (PPI)
  - B) inflationary stability index (ISI)
  - C) consumer price index (CPI)
  - D) gross domestic product (GDP)
  - E) economic stimulus index (ESI)

Answer: C

Diff: 1 Page Ref: 42

Skill:

- 49) Economics is the study of how a society uses its scarce resources to produce and distribute goods and services to its citizens.

Answer:  True  False

Diff: 1 Page Ref: 27

Skill:

- 50) Macroeconomics studies economic behavior among consumers, businesses and industries that collectively determine the quantity of goods and services demanded and supplied at different prices.  
Answer: True  False  
Diff: 1 Page Ref: 27  
Skill:
- 51) Land, forests, mineral and water would be considered natural resources.  
Answer:  True False  
Diff: 1 Page Ref: 27  
Skill:
- 52) The factor of production described as the spirit of innovation, the initiative and the willingness to take the risks required to create and operate a new business is capital.  
Answer: True  False  
Diff: 1 Page Ref: 27  
Skill:
- 53) The term "scarcity" as used by economists means that there is a severe shortage in a natural resource such as forests or water.  
Answer: True  False  
Diff: 1 Page Ref: 27  
Skill:
- 54) Scarcity creates competition for resources and forces consumers, companies and governments to make trade-offs.  
Answer:  True False  
Diff: 1 Page Ref: 29  
Skill:
- 55) Deciding how much money to spend on new manufacturing equipment versus launching a new advertising campaign is described as opportunity cost.  
Answer: True  False  
Diff: 1 Page Ref: 29  
Skill: Analytic skills
- 56) In practice, no economy is truly a free-market economy.  
Answer:  True False  
Diff: 2 Page Ref: 29  
Skill: Analytic skills
- 57) In a planned system, the government controls most of the factors of production and regulates their allocation.  
Answer:  True False  
Diff: 1 Page Ref: 29  
Skill:
- 58) Government takeover of selected companies or industries is called privatization.  
Answer: True  False

Diff: 1 Page Ref: 30

Skill:

59) The primary reason for the trend in privatization in the U.S. is the belief that private firms are motivated by profit and thus can do a more efficient job.

Answer:  True  False

Diff: 2 Page Ref: 30

Skill: Analytic skills

60) By taking an ownership of 60% in General Motors in 2009, the U.S. nationalized the automaker.

Answer:  True  False

Diff: 2 Page Ref: 30

Skill: Analytic skills

61) Demand refers to the quantity of goods or services customers will buy at a given time at various prices.

Answer:  True  False

Diff: 1 Page Ref: 31

Skill:

62) The demand curve will likely shift to the right if customer demand for a firm's product or service decreases.

Answer:  True  False

Diff: 2 Page Ref: 31

Skill: Analytic skills

63) The demand curve will likely shift to the right if the price of substitute products increases.

Answer:  True  False

Diff: 2 Page Ref: 31

Skill: Analytic skills

64) In general, a firm's willingness to produce and sell its goods or services will increase as the price it can charge goes up.

Answer:  True  False

Diff: 2 Page Ref: 32

Skill: Analytic skills

65) The supply curve will likely shift to the left if competition increases.

Answer:  True  False

Diff: 2 Page Ref: 32

Skill: Analytic skills

66) The supply curve will likely shift to the right if technology increases a firm's production costs.

Answer:  True  False

Diff: 2 Page Ref: 32

Skill: Analytic skills

67) Supply and demand curves are dynamic and are affected by a variety of internal and external factors.

Answer:  True  False

Diff: 2 Page Ref: 33

Skill:

68) The point at which quantity of a good or service equals the quantity demanded is known as the equilibrium point.

Answer:  True  False

Diff: 1 Page Ref: 33

Skill:

69) When the price of a good or service goes up, demand likewise increases.

Answer:  True  False

Diff: 1 Page Ref: 34

Skill: Analytic skills

70) The situation in which one supplier dominates a market and controls prices is called pure competition.

Answer:  True  False

Diff: 1 Page Ref: 34

Skill:

71) In pure competition, there are a large number of suppliers who offer products that can be distinguished from the competition in at least a small way.

Answer:  True  False

Diff: 1 Page Ref: 35

Skill: Analytic skills

72) A depression is defined as two consecutive quarters of decline in the GDP.

Answer:  True  False

Diff: 1 Page Ref: 35

Skill:

73) The upward and downward swings of a country's economy are called its business cycle.

Answer:  True  False

Diff: 1 Page Ref: 35

Skill:

74) The labor force consists of the number of people aged 16 and older who are working or looking for jobs.

Answer:  True  False

Diff: 1 Page Ref: 35

Skill:

75) Frictional unemployment is caused by economic fluctuations.

Answer:  True  False

Diff: 2 Page Ref: 35

Skill:

76) Job subtractions and additions in industries such as farming that need different numbers of workers at different times of the year would be classified as seasonal unemployment.

Answer:  True  False

Diff: 2 Page Ref: 36

Skill:

77) The amount of a good or service you can buy for a given amount of money is called inflation.

Answer:  True  False

Diff: 1 Page Ref: 36

Skill:

78) Deflation is an economic condition in which prices fall steadily throughout the economy.

Answer:  True  False

Diff: 1 Page Ref: 36

Skill:

79) Fluctuations in the economy follow a regular cyclical pattern.

Answer:  True  False

Diff: 2 Page Ref: 37

Skill: Analytic skills

80) Deregulation relies on the market to prevent excesses and correct economic activity

Answer:  True  False

Diff: 2 Page Ref: 37

Skill: Analytic skills

81) Proponents of deregulation contend that companies cannot be relied on to act in ways that protect stakeholder interests, and the market cannot be relied on to prevent or punish abuses.

Answer:  True  False

Diff: 2 Page Ref: 37

Skill: Analytic skills

82) Antitrust legislation was established by the government to preserve competition.

Answer:  True  False

Diff: 1 Page Ref: 38

Skill:

83) The U.S. Department of Justice has the power to approve or disapprove mergers and acquisitions.

Answer:  True  False

Diff: 1 Page Ref: 39

Skill:

84) Deregulation zones offer financial incentives such as tax credits, low-interest loans, reduced utility rates, etc. in order to attract new businesses.

Answer:  True  False

Diff: 2 Page Ref: 39



Skill:

85) The Federal Monetary Commission is responsible for controlling the nation's money supply.

Answer: True  False

Diff: 1 Page Ref: 40

Skill:

86) Fiscal policy involves the use of government revenue collection and expenditures.

Answer:  True  False

Diff: 1 Page Ref: 40

Skill:

87) If the government wants to stimulate a slow economy it is likely to reduce its expenditures in the private sector.

Answer: True  False

Diff: 2 Page Ref: 40

Skill: Analytic skills

88) Leading economic indicators suggest changes that may happen in the economy in the future.

Answer:  True  False

Diff: 1 Page Ref: 41

Skill:

89) Unemployment statistics usually signal future changes in consumer spending.

Answer:  True  False

Diff: 2 Page Ref: 41

Skill: Analytic skills

90) The best-known price index in the United States is the producer price index.

Answer: True  False

Diff: 1 Page Ref: 42

Skill:

91) The broadest measure of an economy's health is the gross national product.

Answer: True  False

Diff: 1 Page Ref: 42

Skill:

92) GDP considers *who* is responsible for the production; GNP considers *where* the production occurs.

Answer: True  False

Diff: 3 Page Ref: 42

Skill:

93) The \_\_\_\_\_ is the sum total of all the economic activity within a given region, such as a city or country.

Answer: economy

Diff: 1 Page Ref: 26

Skill:

94) The part of economics study that looks at the operation of a nation's economy as a whole is known as \_\_\_\_\_.

Answer: macroeconomics

Diff: 1 Page Ref: 27

Skill:

95) \_\_\_\_\_ is the factor of production that involves accepting the risk of starting and running a business.

Answer: Entrepreneurship

Diff: 1 Page Ref: 27

Skill:

96) The option you don't select when you make a trade-off is known as its \_\_\_\_\_.

Answer: opportunity cost

Diff: 2 Page Ref: 29

Skill:

97) Economic systems are generally categorized as either free-market systems or \_\_\_\_\_ systems.

Answer: planned

Diff: 2 Page Ref: 29

Skill:

98) Private enterprise and \_\_\_\_\_ are the terms most often used to describe a free-market system.

Answer: capitalism

Diff: 2 Page Ref: 29

Skill: Analytic skills

99) \_\_\_\_\_ lies somewhere between capitalism and communism.

Answer: Socialism

Diff: 1 Page Ref: 29

Skill:

100) The government's takeover of a selected company or even an entire industry is known as \_\_\_\_\_.

Answer: nationalization

Diff: 1 Page Ref: 30

Skill:

101) \_\_\_\_\_ refers to the behavior of buyers; \_\_\_\_\_ refers to the behavior of sellers.

Answer: Demand; supply

Diff: 2 Page Ref: 31

Skill:

102) If demand for air travel falls after the holidays, the demand curve will shift to the \_\_\_\_\_.

Answer: left

Diff: 2 Page Ref: 31

Skill: Analytic skills

- 103) If demand for a product decreases, a supplier can \_\_\_\_\_  
prices in order to stimulate more purchases.  
Answer: lower  
Diff: 2 Page Ref: 31  
Skill: Analytic skills
- 104) Bagels and muffins would be considered \_\_\_\_\_ products in  
the breakfast food market.  
Answer: substitute  
Diff: 2 Page Ref: 32  
Skill: Analytic skills
- 105) The depiction of the relationship between prices and the  
quantities that sellers will offer for sale, regardless of consumer  
demand, is called a \_\_\_\_\_ curve.  
Answer: supply  
Diff: 1 Page Ref: 32  
Skill:
- 106) As prices increase, the quantity that sellers are willing to supply  
\_\_\_\_\_.  
Answer: increases  
Diff: 1 Page Ref: 32  
Skill: Analytic skills
- 107) The \_\_\_\_\_ price is established when the amount of a product  
that suppliers are willing to sell at a given price equals the  
amount that consumers are willing to buy at that price.  
Answer: equilibrium  
Diff: 1 Page Ref: 33  
Skill:
- 108) When the price of a product decreases, demand for that product  
\_\_\_\_\_.  
Answer: increases  
Diff: 1 Page Ref: 34  
Skill: Analytic skills
- 109) \_\_\_\_\_ competition is a situation in which there are many buyers  
and sellers, low barriers of entry, and products with nearly  
identical features.  
Answer: Pure  
Diff: 1 Page Ref: 34  
Skill:
- 110) \_\_\_\_\_ competition has a large number of sellers who can  
differentiate their products from those of their competitors in at  
least some small way.  
Answer: Monopolistic  
Diff: 1 Page Ref: 34  
Skill:

- 111) A recession is defined as \_\_\_\_\_ consecutive quarters in which the gross domestic product of a nation declines.  
Answer: two  
Diff: 1 Page Ref: 35  
Skill:
- 112) There is an excess of teachers in certain areas of the U.S. at this time. This would reflect \_\_\_\_\_ unemployment in the area.  
Answer: structural  
Diff: 3 Page Ref: 35  
Skill: Analytic skills
- 113) \_\_\_\_\_ is the steady rise in the average prices of goods and services throughout the economy.  
Answer: Inflation  
Diff: 1 Page Ref: 36  
Skill:
- 114) Relying on laws and policies to govern economic activity is referred to as \_\_\_\_\_.  
Answer: regulation  
Diff: 1 Page Ref: 37  
Skill:
- 115) \_\_\_\_\_ laws have been established to help prevent companies taking control of markets or restraining competition.  
Answer: Antitrust  
Diff: 1 Page Ref: 38  
Skill:
- 116) The U.S. government has two "tools" it can use to stabilize the national economy: \_\_\_\_\_ policy and \_\_\_\_\_ policy.  
Answer: monetary; fiscal  
Diff: 2 Page Ref: 40  
Skill:
- 117) Increasing or decreasing interest rates would be part of \_\_\_\_\_ policy.  
Answer: monetary  
Diff: 2 Page Ref: 40  
Skill:
- 118) Monetary policy is controlled primarily by the \_\_\_\_\_.  
Answer: Federal Reserve Board  
Diff: 2 Page Ref: 40  
Skill:
- 119) \_\_\_\_\_ economic indicators provide confirmation that something has occurred in the past.  
Answer: Lagging  
Diff: 1 Page Ref: 41  
Skill:

120) The \_\_\_\_\_ is used by the government to index Social Security payments.

Answer: consumer price index (CPI)

Diff: 2 Page Ref: 42

Skill:

121) What are the factors of production? Is one of these factors more important than the others? Why or why not?

Answer: The factors of production are: natural resources, human resources, capital, entrepreneurship, and knowledge.

Student answers will vary with respect to these factors' importance.

Diff: 2 Page Ref: 27

Skill: Reflective thinking skills

122) Over the past several decades, many countries have moved from planned economies to mixed-market economies. Why do you believe this has taken place?

Answer: Student answers will vary but should include elements such as the government wanting to encourage wealthy creation and giving firms incentives to produce more efficiently.

Diff: 3 Page Ref: 29

Skill: Dynamics of the global economy

123) Explain the differences between pure competition and monopolistic competition and provide at least one example of each.

Answer: Pure competition has many buyers and sellers, a product or service with nearly identical features and low barriers of entry. No single firm or group of firms is large enough to influence prices. Monopolistic competition likely has many sellers, none of which dominates the market, but their products can be differentiated from competitors' products in at least some small way. Student examples will vary.

Diff: 3 Page Ref: 34

Skill: Reflective thinking skills

124) In 2009, the U.S. government bailed out General Motors and AIG, largely because these companies employ a large number of people and failure of the businesses would have resulted in a significant increase in unemployment. Do you agree with this policy? Why or why not?

Answer: Answers will vary depending upon the student's point of view.

Diff: 3 Page Ref: 37

Skill: Reflective thinking skills

