**Economics Unit 1 Review Quiz**

***Write the appropriate letter choice for each question on a separate document and submit the document onto* turnitin.com**

**Multiple Choice –** *Identify the choice that best completes the statement or answers the question*

1. Any resources that are made by humans and used to create other goods and services are called

a. services. b. production. c. capital. d. labor.

2. The resources used to make all goods and services are the

a. production possibilities. b. factors of production. c. production trade-offs. d. opportunity costs.

3. What is the struggle among various producers for the consumer’s business called?

a. socialism b. competition c. incentive d. self-regulation

4. Which of the following is NOT a key economic question?

a. What goods and services should be produced?

b. How should these goods and services be produced?

c. Who consumes these goods and services?

d. How should it be ensured that goods and services are paid for?

5. In what kind of an economy does the government make all the decisions?

a. socialist b. laissez faire c. centrally planned d. free enterprise

6. What is a positive externality?

a. a way to generate trade that will benefit people who are from other countries

b. an economic side effect that generates unexpected benefits

c. a cash flow that will benefit both the government and the businesses who interact with it

d. an extra payment to welfare recipients

7. What is the difference between a business cycle and the day-to-day ups and downs of the market?

a. The day-to-day ups and downs of the market can be much more extreme than a business cycle.

b. The day-to-day fluctuations are more likely to have an impact on people’s finances.

c. A business cycle is usually more restricted, whereas market fluctuations are worldwide.

d. A business cycle is a major, prolonged fluctuation rather than a day-to-day movement.

8. Which of the following is a critical rule for determining whether something is a public good?

a. The benefit to each individual who uses the facility is greater than the cost.

b. The benefits of the facility are greater for the society than for the individuals using it.

c. The total benefits to society are greater than the total cost.

d. The total cost is small for each individual taxpayer.

9. What is the term for the total value of all goods and services produced in a particular economy?

a. net worth b. open market value c. gross domestic product d. standard of living

10. An externality is

a. an economic side effect of a good or service that generates benefits or costs to someone other than the person

deciding how much to produce or consume.

b. the total cost to society of producing an additional unit of a good or service.

c. the amount a consumer pays to consume an additional amount of any particular good.

d. a situation in which the market, on its own, does not distribute resources efficiently.

**Matching –** *Match each item with the correct statement below*

a. efficiency b. scarcity c. opportunity cost d. underutilization e. labor

11. most desirable alternative given up when people choose one course of action over another

12. limited quantities of resources to meet unlimited needs or desires

13. use of fewer resources than the economy is capable of using

14. paid effort that people devote to a task

15. use of resources in a way that maximizes output of goods and services

**Matching –** *Match each item with the correct statement below*

a. free enterprise b. socialism c. incentive d. traditional economy e. safety net

16. government programs that protect people experiencing unfavorable economic conditions

17. an economic system that permits the conduct of business with minimal government intervention

18. an expectation that encourages people to behave in a certain way

19. an economic system that relies on habit, custom, or ritual to decide questions of consumption and production of goods and services

20. a philosophy based on the belief that democratic means should be used to distribute wealth evenly throughout a society

**Economics Unit 1**

**Answer Section**

**MULTIPLE CHOICE**

1. C

2. B

3. A

4. A

5. A

6. C

7. A

8. B

9. D

10. B

11. D

12. C

13. A

14. D

15. D

16. B

17. D

18. C

19. C

20. A

**MATCHING**

21. H

22. E

23. I

24. J

25. A

26. D

27. A

28. C

29. H

30. F

31. F

32. G

33. E

34. B

35. A

**ESSAY**

36. *Possible answer:* A mixed economy allows individuals to make their own economic decisions but also allows the government to provide goods and services that would not otherwise be provided, such as laws, regulations, and public needs like health care and national defense.

37. In a completely free market economy, poorer people would not have access to schools, medical care, and other similar programs. It would be difficult to do expensive projects like highways, national parks, or national defense. There would be no safety net to help those in need.

38. economic efficiency, economic security and predictability, economic freedom, economic equity, economic growth and innovation, and additional goals

39. A positive externality is a side effect in which people who do not pay for the goods or services benefit anyway. One example might be that people who live near a park gain property value. A negative externality is the opposite, in which a person who does not pay for the goods or services suffers a loss. One example might be that a person who lives across the street from a house that is allowed to degenerate loses property value.

40. The poverty threshold relates to free enterprise in that the United States has decided that all residents should have a chance to live above this threshold and has instituted many programs to help people do so, even if they need assistance that is not part of the free market.

41. The three main goals sought by policymakers in the economy are employment for all who are able to work, steady growth of the economy, and a stable and secure economy.