

## Ch 5 Test Review Econ Principles

### Multiple Choice

Identify the choice that best completes the statement or answers the question.

- \_\_\_\_\_ 1. The economic problem states that \_\_\_\_\_.  
A. human wants are limited, but resources are unlimited  
B. human needs are limited, but human wants are unlimited  
C. resources are limited, but human wants are unlimited  
D. resources are limited, but human needs are unlimited
- \_\_\_\_\_ 2. Another term for a centrally-planned economy is \_\_\_\_\_.  
A. command economy  
B. market economy  
C. mixed economy  
D. traditional economy
- \_\_\_\_\_ 3. One of the facets of macroeconomics is the study of how \_\_\_\_\_.  
A. the government manages the money supply  
B. businesses try to compete with each other  
C. individuals invest their money  
D. people spend their income
- \_\_\_\_\_ 4. Which factor of production includes a country's natural resources?  
A. capital  
B. land  
C. labor  
D. entrepreneurship
- \_\_\_\_\_ 5. Which of the following statements about natural resources is true?  
A. Natural resources are the goods produced by a nation.  
B. Natural resources are equally distributed among nations.  
C. The size of a nation can affect the quantity of its natural resources.  
D. Most natural resources are easy to replenish quickly.
- \_\_\_\_\_ 6. The amount of work a person can do in a specific amount of time is known as \_\_\_\_\_.  
A. labor  
B. capital  
C. utility  
D. productivity
- \_\_\_\_\_ 7. The factor of production that includes bridges, airports, and electric power plants is \_\_\_\_\_.  
A. capital  
B. land  
C. labor  
D. entrepreneurship

- \_\_\_\_\_ 8. Technology that is powered by steam and fuel combustion is \_\_\_\_\_ technology.
- A. early
  - B. digital
  - C. communications
  - D. industrial
- \_\_\_\_\_ 9. Scarcity develops when \_\_\_\_\_.
- A. people voluntarily limit their needs and wants to save resources
  - B. demand for a resource is higher than the quantity available
  - C. resources are allocated fairly among various businesses
  - D. more resources are available than are being used
- \_\_\_\_\_ 10. When the supply of a product is lower than the level of demand, which of the following typically occurs?
- A. prices become lower
  - B. price equilibrium occurs
  - C. prices become higher
  - D. prices are not affected
- \_\_\_\_\_ 11. Which of the following is a characteristic of a strong economy?
- A. A surplus of goods may develop.
  - B. Consumers have less money to spend.
  - C. Consumers demand more products.
  - D. Demand for products decreases.
- \_\_\_\_\_ 12. Which type of economy is also known as free enterprise or capitalism?
- A. traditional economy
  - B. market economy
  - C. command economy
  - D. mixed economy
- \_\_\_\_\_ 13. One of the disadvantages of a free-enterprise system is \_\_\_\_\_.
- A. safety may become a low priority to businesses
  - B. businesses must compete to sell their goods and services
  - C. individuals do not have the right to own property
  - D. prices for goods are set by the forces of supply and demand
- \_\_\_\_\_ 14. Which type of economy does the United States have?
- A. traditional economy
  - B. market economy
  - C. command economy
  - D. mixed economy
- \_\_\_\_\_ 15. Which of the following is *not* considered a market force?
- A. competition
  - B. infrastructure
  - C. demand
  - D. profit motive

**Matching**

Match the following terms and identifying phrases.

- A. capital
- B. command economy
- C. competition
- D. entrepreneurship
- E. macroeconomics
- F. market economy
- G. microeconomics
- H. mixed economy
- I. opportunity cost
- J. traditional economy

- \_\_\_ 16. Actions taken by two or more businesses attempting to attract the same customers.
- \_\_\_ 17. Economy in which individuals and businesses are free to make their own economic decisions with limited governmental involvement.
- \_\_\_ 18. Willingness and ability to start a new business.
- \_\_\_ 19. All the tools and machinery used to produce goods or provide services.
- \_\_\_ 20. Economy in which the government makes all of the economic decisions for its citizens.
- \_\_\_ 21. Economy in which decisions are based on the society's values, culture, and customs.
- \_\_\_ 22. Branch of economics that studies human behavior and economic choices that relate to the decisions of individuals and businesses.
- \_\_\_ 23. Value of the next-best option that was not selected in an economic decision.
- \_\_\_ 24. Economy in which both the government and individuals make decisions about economic resources.
- \_\_\_ 25. Branch of economics that studies human behavior and choices that relate to the entire economy of a nation.

**Completion**

Complete each statement.

- 26. The science of \_\_\_\_\_ examines how people, governments, and businesses make choices about using limited resources to satisfy unlimited wants.
- 27. The economic factors that affect the price, demand, and availability of a product or service are known as \_\_\_\_\_.
- 28. The branch of economics that focuses on how individual people and businesses decide how to spend and invest their money and earn profits is \_\_\_\_\_.
- 29. Another term for *labor* is \_\_\_\_\_.
- 30. Goods that businesses use to produce other products are known as \_\_\_\_\_ goods.

Name: \_\_\_\_\_

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31. The type of infrastructure that includes sanitation systems, water systems, and telecommunications services is \_\_\_\_\_ infrastructure.
32. The use of science to invent useful things or to solve problems is \_\_\_\_\_.
33. The factor of production that organizes the other three factors of production with the goal of earning a profit is \_\_\_\_\_.
34. A(n) \_\_\_\_\_ occurs when one thing is given up in order to obtain something else.
35. The \_\_\_\_\_ of goods is the quantity of goods available for purchase.
36. Although people are motivated by personal satisfaction and independence, the most powerful motive for creating a business is the \_\_\_\_\_ motive.
37. \_\_\_\_\_ is the quantity of goods that consumers want to purchase.
38. An economy that is based on the way people in the society have behaved for a long period of time is a(n) \_\_\_\_\_ economy.
39. The difference between the income earned and expenses incurred by a business over a specific period of time is the business's \_\_\_\_\_.
40. The point at which the supply of a product equals the demand for that product is known as \_\_\_\_\_.

### Short Answer

41. List the four factors of production.
42. What three economic questions are answered by an economic system?
43. What types of machines are typical of early technology?
44. List the steps in the systematic decision-making process.
45. Briefly describe the law of supply and demand.
46. How does the pricing of products help reduce shortages and surpluses in a society?
47. A business's sales during the first quarter of the year totaled \$250,000. During this period, the business paid a total of \$170,000 in rent, utilities, salaries, marketing, and raw materials. How much profit did the business make during the first quarter?
48. What are the five major advantages of a market economy?

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49. In general, what is the effect of competition on a society's economy?
50. Who decides what to produce, how to produce it, and for whom to produce it in a command economy?