



# Section 2: Quiz The Free Market

CHAPTER 2

### A. Key Terms

Briefly define or identify each of the following.

- 1. market \_\_\_\_\_
- 2. self-interest \_\_\_\_\_
- 3. incentive \_\_\_\_\_
- 4. consumer sovereignty \_\_\_\_\_

### B. Main Ideas

Write the letter of the correct answer in the blank provided.

- \_\_\_ 5. Why do people need to buy and sell products or services?
  - a. People need to buy and sell products to make a profit.
  - b. We need to maintain a competitive society.
  - c. No one is self-sufficient.
  - d. People need to provide the market with goods and services.
  
- \_\_\_ 6. Who owns the factors of production?
  - a. individuals
  - b. households
  - c. firms
  - d. the market
  
- \_\_\_ 7. How will consumers react to the incentive of a higher price on a good or service?
  - a. The negative incentive will cause consumers to purchase less of the good or service if it is of lower quality.
  - b. The positive incentive will cause consumers to purchase less of the good or service if it is of lower quality.
  - c. The negative incentive will cause consumers to purchase less of the good or service if it is of higher quality.
  - d. The positive incentive will cause consumers to purchase less of the good or service if it is of higher quality.
  
- \_\_\_ 8. What "invisible hand" regulates the free market economy?
  - a. incentives and efficiency
  - b. specialization
  - c. competition between firms
  - d. competition and self-interest
  
- \_\_\_ 9. Why are free market economies able to attain economic growth?
  - a. Consumers can purchase all the goods they need, which causes firms to produce more.
  - b. Competition encourages innovation, which causes growth.
  - c. Everyone is acting in their own self-interest, which motivates market growth.
  - d. Firms keep producing more incentives to encourage households to purchase more goods.
  
- \_\_\_ 10. Which of the following is NOT an advantage of a free market economy?
  - a. economic efficiency
  - b. economic freedom
  - c. economic equity
  - d. economic growth

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Section 3: Quiz

# Centrally Planned Economies

## A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

### Column I

- \_\_\_ 1. requiring strict obedience to an authority, such as a dictator
- \_\_\_ 2. a political system characterized by a centrally planned economy with all economic and political power resting in the hands of the central government
- \_\_\_ 3. a large Soviet farm leased by the state to groups of peasant farmers
- \_\_\_ 4. a social and political philosophy based on the belief that democratic means should be used to evenly distribute wealth throughout a society
- \_\_\_ 5. requires a large capital investment and produces items used by others

### Column II

- a. communism
- b. authoritarian
- c. socialism
- d. heavy industry
- e. collective

## B. Main Ideas

Write the letter of the correct answer in the blank provided.

- \_\_\_ 6. Why might a socialist society have a less rigid command economy than a communist society?
  - a. In a socialist society, various political systems may be combined with public control of the economy.
  - b. In a socialist society, all economic and political power rests in the hands of the central government.
  - c. In a socialist society, an authoritarian government controls the economy.
  - d. In a socialist society, the centers of economic power are under private control.
- \_\_\_ 7. Who decided what the farmers would produce on Soviet collectives?
  - a. the farmers
  - b. the military
  - c. the government
  - d. the consumers
- \_\_\_ 8. How did collectives in the Soviet Union avoid the competition that drives a free market economy?
  - a. There were no incentives for competition because the government determined prices, wages, and products.
  - b. The farmers were not able to sell their own products.
  - c. Heavy industry was not a direct competitor.
  - d. It was illegal to buy products from a competitor.
- \_\_\_ 9. Why might Soviet economic planners have favored heavy industry over the makers of consumer goods?
  - a. The products of heavy industry brought in more money.
  - b. There were more people trained to work in heavy industry.
  - c. Consumer goods are not good economic investments.
  - d. The products of heavy industry provide material for many other industries.
- \_\_\_ 10. Which of the following is NOT a disadvantage of a centrally planned economy?
  - a. It usually cannot meet consumers' needs and wants.
  - b. It tries to meet explicitly stated goals.
  - c. It does not reward innovation.
  - d. It sacrifices individual freedoms.



## Section 4: Quiz

# Modern Economies

### A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

#### Column I

- \_\_\_ 1. period of change in which an economy moves away from a centrally planned economy toward a market-based system
- \_\_\_ 2. an economic system that permits the conduct of business with minimal government intervention
- \_\_\_ 3. to sell to individuals state-run firms, which are then allowed to compete with one another in the marketplace
- \_\_\_ 4. the doctrine that government generally should not intervene in the marketplace
- \_\_\_ 5. a range with no clear divisions

#### Column II

- a. laissez faire
- b. free enterprise
- c. continuum
- d. transition
- e. privatize

### B. Main Ideas

Write the letter of the correct ending in the blank provided.

- \_\_\_ 6. The United States economy is a mixed economy
  - a. based on the principles of the traditional economy, but allowing some government intervention.
  - b. based on the principles of the centrally planned economy, but limiting government intervention.
  - c. based on the principles of the free market, allowing no government intervention.
  - d. based on the principles of the free market, but allowing some government intervention.
- \_\_\_ 7. Government intervention in a modern economy is useful because
  - a. the needs and wants of modern society are always met by the marketplace.
  - b. the marketplace has many incentives to create public works such as parks and libraries.
  - c. governments are more able to meet some needs and wants of modern society in a way that ensures that all members of society can participate.
  - d. the marketplace provides all of its own laws.
- \_\_\_ 8. In most mixed economies, the government does NOT
  - a. purchase land, labor, and capital from households in the factor market.
  - b. own all the property and confiscate all economic output.
  - c. purchase goods and services in the product market.
  - d. redistribute wealth through taxes and other means.
- \_\_\_ 9. Sweden's social benefit programs
  - a. provide many health care and other advantages but involve a very high tax burden for the people.
  - b. provide many health care and other advantages at no cost to the people.
  - c. provide many health care and other advantages but cost the people three quarters of their base salary.
  - d. provide many advantages to businesses, making them highly profitable.
- \_\_\_ 10. The United States government intervenes to
  - a. provide competition for private firms.
  - b. impose barriers on foreign trade.
  - c. keep order, provide vital services, and promote the general welfare.
  - d. restrict the banking industry.

## Section 4: Guided Reading and Review

# Modern Economies



### A. As You Read

As you read Section 4, fill in two supporting facts or details under each main idea by answering each question.

**Main Idea:** Government intervenes in market economies because some needs and wants of modern societies are hard to answer in the marketplace or may be answered more fairly for all members of society with government involvement.

1. What needs and wants are hard to answer? \_\_\_\_\_  
\_\_\_\_\_
2. What needs and wants are answered more fairly with government involvement?  
\_\_\_\_\_  
\_\_\_\_\_

**Main Idea:** Government intervention dominates in some mixed economies.

3. How does government intervene in North Korea's economy? \_\_\_\_\_  
\_\_\_\_\_
4. How is government intervention less extreme in China's economy? \_\_\_\_\_  
\_\_\_\_\_

**Main Idea:** The market system dominates in some mixed economies.

5. What country is one of the world's freest markets? \_\_\_\_\_  
\_\_\_\_\_
6. Why is it one of the freest? \_\_\_\_\_  
\_\_\_\_\_

### B. Reviewing Key Terms

Answer each of the following questions.

7. How does *free enterprise* differ from *laissez faire*? \_\_\_\_\_  
\_\_\_\_\_
8. Why is China said to have a *transition* economy? \_\_\_\_\_  
\_\_\_\_\_
9. What does it mean to *privatize* an industry? \_\_\_\_\_  
\_\_\_\_\_
10. Why do the world's national economies fall inside a *continuum*? \_\_\_\_\_  
\_\_\_\_\_