

### **Chapter 3 Practice Test**

*Indicate whether the statement is true or false. If it is false, change the identified word(s) to make the statement true.*

- \_\_\_ 1. In general, people do not want their economic system to create as many jobs as possible.
- \_\_\_ 2. U.S. economic and social goals are likely to remain unchanged in the future.
- \_\_\_ 3. Social Security is one example of how Americans have modified their free enterprise economy.
- \_\_\_ 4. Economic growth is necessary as a nation's population increases.
- \_\_\_ 5. The minimum wage was established at national and state levels as the lowest legal wage that can be paid to the majority of workers.

*Indicate the answer choice that best completes the statement or answers the question.*

- \_\_\_ 6. The dollar value of all final goods, services, and structures produced in a country in a year is known as
  - a. Gross Domestic Product.
  - b. Gross National Product.
  - c. franchise.
  - d. profit motive.
- \_\_\_ 7. The phrase "the customer is always right" is most often associated with what term?
  - a. entrepreneurship
  - b. consumer sovereignty
  - c. mixed economy
  - d. regulatory government
- \_\_\_ 8. Which of the following is currently considered one of the seven major economic and social goals in the United States?
  - a. conservation
  - b. preserving endangered species
  - c. clean environment
  - d. price stability
- \_\_\_ 9. Which of the following is largely responsible for the growth of a free enterprise system?
  - a. government
  - b. profit motive
  - c. Gross Domestic Product
  - d. market efficiency

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- \_\_\_ 10. A general rise in the level of prices over time is known as
- a. a catalyst.
  - b. voluntary exchange.
  - c. profit.
  - d. inflation.
- \_\_\_ 11. What motivates people to work, save, and invest?
- a. government regulations
  - b. a variety of goods
  - c. incentives
  - d. economic freedom
- \_\_\_ 12. What is one of the benefits related to economic equity?
- a. conserving resources
  - b. living on a fixed income
  - c. receiving equal pay for equal work
  - d. unemployment compensation programs
- \_\_\_ 13. The economic system of the United States is considered a
- a. free market capitalist economy.
  - b. command economy.
  - c. socialist economy.
  - d. traditional economy.
- \_\_\_ 14. Economic equity means that it is illegal to discriminate on the basis of age, sex, race, religion, or
- a. income.
  - b. status.
  - c. disability.
  - d. political views.
- \_\_\_ 15. How does the government operate in a free enterprise economy?
- a. It takes a "hands-off" approach to business.
  - b. It tells businesses what to produce and what to sell.
  - c. It interferes with business only when it is profitable.
  - d. It establishes laws and rules to maintain competition.

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- \_\_\_ 16. The four factors of production are land, labor, capital, and
- a. entrepreneurs.
  - b. franchises.
  - c. inflation.
  - d. the government.
- \_\_\_ 17. The three synonymous terms to describe the U.S. economic system are free enterprise, capitalism, and
- a. limited role of government.
  - b. competition.
  - c. free market.
  - d. economic freedom.
- \_\_\_ 18. Inflation causes people to
- a. work more to pay for basic necessities.
  - b. take more time off work.
  - c. work the same hours for the same pay.
  - d. spend less for the same amount of goods and services.
- \_\_\_ 19. Consumers can influence the production and sale of goods by
- a. "voting" with their dollars.
  - b. saving their money.
  - c. reducing their spending habits.
  - d. paying off their debt.
- \_\_\_ 20. In its role as *protector* of the American free enterprise system, one of the issues the government must deal with is
- a. environmental hazards.
  - b. weeding out corruption.
  - c. helping businesses get started.
  - d. overseeing communications.
- \_\_\_ 21. What gives people and businesses the opportunity to make their own decisions?
- a. profit motive
  - b. economic freedom
  - c. command economy
  - d. free enterprise

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- \_\_\_ 22. What have some states done to protect workers from adverse economic events such as layoffs and illnesses?
- a. They set up support groups.
  - b. They set up unemployment compensation programs.
  - c. They provided every worker with insurance.
  - d. They gave workers more time off.
- \_\_\_ 23. Consumers in a free enterprise economy ultimately determine \_\_\_\_\_ to produce.
- a. when
  - b. how
  - c. what
  - d. where
- \_\_\_ 24. Who ultimately determines the success of a product?
- a. the government
  - b. the business producing the product
  - c. the consumer
  - d. the store selling the product
- \_\_\_ 25. \_\_\_\_\_ protect consumers against harm from products on the market.
- a. Franchises
  - b. Profit motives
  - c. Private property rights
  - d. Government regulations
- \_\_\_ 26. Markets in the free enterprise system are seldom regulated by
- a. businesses.
  - b. the government.
  - c. consumers.
  - d. entrepreneurs.
- \_\_\_ 27. Protection from layoffs, illnesses, injuries or disabilities falls under the goal of
- a. economic equity.
  - b. economic efficiency.
  - c. economic growth.
  - d. economic security

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- \_\_\_ 28. The struggle among sellers to attract consumers by offering the best products at the lowest prices is known as
  - a. voluntary exchange.
  - b. profit motive.
  - c. property rights.
  - d. competition.
  
- \_\_\_ 29. What is the name of the federal health insurance program for senior citizens?
  - a. Social Security
  - b. Medicare
  - c. Medicaid
  - d. Social Care
  
- \_\_\_ 30. One of the characteristics of a capitalist free enterprise economy is
  - a. the minimum wage.
  - b. consumerism.
  - c. voluntary exchange.
  - d. central planning.

*Enter the appropriate word(s) to complete the statement.*

31. When an economy is capitalist and has free markets, it can be said that the economy is based on

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32. \_\_\_\_\_ motive is what drives people and organizations to improve their material well-being.

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33. \_\_\_\_\_ rights allow people to own and control their possessions as they see fit, as long as it does not interfere with the rights of others.

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34. Between 2007 and 2009, the U.S. went through a difficult economic period called the \_\_\_\_\_  
\_\_\_\_\_.

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35. One of the characteristics of the U.S. economy is the \_\_\_\_\_ role of the government.

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Match each item with the correct statement below.

- a. regulator
- b. entrepreneur
- c. mixed economy
- d. catalyst
- e. consumer

- \_\_\_ 36. risk-taking individual in search of profits
- \_\_\_ 37. ruler of the market in determining goods and services produced
- \_\_\_ 38. economic system with combination of command, traditional, and market economies
- \_\_\_ 39. role of national government in preserving marketplace competition
- \_\_\_ 40. something that stimulates activity among forces or people

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Match each item with the correct statement below.

- a. mixed economy
- b. minimum wage
- c. inflation
- d. Social Security
- e. consumer sovereignty
- f. competition
- g. entrepreneur
- h. voluntary exchange
- i. profit motive
- j. modified free enterprise economy

- \_\_\_ 41. struggle among sellers to attract consumers
- \_\_\_ 42. economic action done or brought about by free choice
- \_\_\_ 43. driving force that encourages people to improve their material well-being
- \_\_\_ 44. market economy in which people freely carry on economic affairs but are subject to some government regulation
- \_\_\_ 45. someone who organizes and manages land, capital, and labor to make a profit
- \_\_\_ 46. economic system with a combination of public and private enterprise
- \_\_\_ 47. the role of the consumer as ruler of the market
- \_\_\_ 48. lowest legal wage that can be paid to most workers
- \_\_\_ 49. federal program retirement benefit that covers most working people
- \_\_\_ 50. rise in the general level of prices