Chapter 01

Introduction

**True / False Questions**

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| 1. | Technological change is a key force in shaping today's economy.    True    False |

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| 2. | Globalization is the increasing exchange of goods, services, ideas, and people among a small community.    True    False |

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| 3. | Technological change is the only reason for globalization.    True    False |

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| 4. | A laissez-faire economy has minimal, if any, government regulations or laws affecting the economy.    True    False |

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| 5. | History suggests that economic competition is the most consistent force for economic growth and progress.    True    False |

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| 6. | Deregulation includes reducing governmental control over some aspects of private industry, while increasing control of others.    True    False |

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| 7. | The gross domestic product is the dollar value of all goods and services produced by the economy.    True    False |

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| 8. | Most economists agree on the amount of government intervention necessary in an economy.    True    False |

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| 9. | A centrally planned economy encourages investment and innovation.    True    False |

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| 10. | Economics is the study of how individuals, businesses, and governments make decisions and make trade-offs in the face of scarce resources.    True    False |

**Multiple Choice Questions**

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| 11. | Technological change has always been the critical factor in raising living standards, even going as far back as the development of the \_\_\_\_\_\_\_\_\_\_.      |  |  | | --- | --- | | A. | steam engine |  |  |  | | --- | --- | | B. | iPod |  |  |  | | --- | --- | | C. | bicycle |  |  |  | | --- | --- | | D. | fluorescent light | |

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| 12. | Globalization is the exchange of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ among countries.      |  |  | | --- | --- | | A. | e-mail |  |  |  | | --- | --- | | B. | telephone calls |  |  |  | | --- | --- | | C. | goods, services, ideas, and people |  |  |  | | --- | --- | | D. | money | |

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| 13. | Which of the following is NOT part of an economy's financial market?      |  |  | | --- | --- | | A. | The residential mortgage market. |  |  |  | | --- | --- | | B. | The stock market. |  |  |  | | --- | --- | | C. | Banks and brokerage firms. |  |  |  | | --- | --- | | D. | Political action committees. | |

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| 14. | In a centrally planned economy, decisions are made by      |  |  | | --- | --- | | A. | private businesses. |  |  |  | | --- | --- | | B. | large corporations. |  |  |  | | --- | --- | | C. | low-level government employees. |  |  |  | | --- | --- | | D. | top-level government officials. | |

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| 15. | China and India have economically prospered recently by introducing      |  |  | | --- | --- | | A. | more centralized planning. |  |  |  | | --- | --- | | B. | greater government intervention. |  |  |  | | --- | --- | | C. | a stronger central bank. |  |  |  | | --- | --- | | D. | a more market-based economy. | |

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| 16. | Governments generally take responsibility for      |  |  | | --- | --- | | A. | deciding what is produced by most businesses. |  |  |  | | --- | --- | | B. | determining the moral code. |  |  |  | | --- | --- | | C. | making sure the economy remains healthy. |  |  |  | | --- | --- | | D. | the purchasing decisions of households. | |

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| 17. | Deregulation is the process of \_\_\_\_\_\_\_\_\_ government control over industries.      |  |  | | --- | --- | | A. | increasing |  |  |  | | --- | --- | | B. | eliminating |  |  |  | | --- | --- | | C. | reducing |  |  |  | | --- | --- | | D. | marginalizing | |

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| 18. | The most consistent force for economic growth and progress is      |  |  | | --- | --- | | A. | government regulation. |  |  |  | | --- | --- | | B. | the gross domestic product. |  |  |  | | --- | --- | | C. | technology integration. |  |  |  | | --- | --- | | D. | economic competition. | |

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| 19. | The gross domestic product is calculated by adding up the      |  |  | | --- | --- | | A. | value of all goods and services produced by domestic companies abroad. |  |  |  | | --- | --- | | B. | number of all tangible goods produced in a domestic economy. |  |  |  | | --- | --- | | C. | value of all goods and services produced within the nation. |  |  |  | | --- | --- | | D. | value of services produced domestically and goods produced overseas. | |

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| 20. | Poorer countries started to develop economically when they      |  |  | | --- | --- | | A. | focused on becoming net traders. |  |  |  | | --- | --- | | B. | figured out what the rest of the world wanted, and responded. |  |  |  | | --- | --- | | C. | focused on becoming importers. |  |  |  | | --- | --- | | D. | focused on domestic economic regulation. | |

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| 21. | A laissez-faire economy has      |  |  | | --- | --- | | A. | a large amount of government regulation. |  |  |  | | --- | --- | | B. | a centrally planned economy. |  |  |  | | --- | --- | | C. | a policy of government intervention. |  |  |  | | --- | --- | | D. | very little government regulation of the economy. | |

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| 22. | Top-down management of an economy by the government has consistently      |  |  | | --- | --- | | A. | produced exceptional results in economic growth. |  |  |  | | --- | --- | | B. | created incentives and opportunities for businesses to expand. |  |  |  | | --- | --- | | C. | caused double-digit increases in GDP. |  |  |  | | --- | --- | | D. | led to low rates of economic growth. | |

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| 23. | One measurement of economic prosperity is      |  |  | | --- | --- | | A. | the happiness index. |  |  |  | | --- | --- | | B. | the gross domestic policy. |  |  |  | | --- | --- | | C. | interest rates. |  |  |  | | --- | --- | | D. | the gross domestic product. | |

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| 24. | Besides the gross domestic product, another measure of how well an economy is doing is:      |  |  | | --- | --- | | A. | annual household income. |  |  |  | | --- | --- | | B. | government tax rates. |  |  |  | | --- | --- | | C. | popularity polls. |  |  |  | | --- | --- | | D. | citations in economic journals. | |

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| 25. | Which of the following countries is NOT among the 10 largest economies in the world?      |  |  | | --- | --- | | A. | Israel. |  |  |  | | --- | --- | | B. | China. |  |  |  | | --- | --- | | C. | Brazil. |  |  |  | | --- | --- | | D. | India. | |

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| 26. | Which of the following is part of the U.S. government's economic safety net?      |  |  | | --- | --- | | A. | Social Security. |  |  |  | | --- | --- | | B. | Blue Cross and Blue Shield. |  |  |  | | --- | --- | | C. | Church-affiliated food kitchens. |  |  |  | | --- | --- | | D. | National Sisters of the Poor Welfare Agency. | |

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| 27. | Which of the following is an example of technological change?      |  |  | | --- | --- | | A. | Filet mignon. |  |  |  | | --- | --- | | B. | Ralph Lauren clothing. |  |  |  | | --- | --- | | C. | The personal computer. |  |  |  | | --- | --- | | D. | Starbucks coffee. | |

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| 28. | The financial markets do NOT include which of the following?      |  |  | | --- | --- | | A. | Banks. |  |  |  | | --- | --- | | B. | Stock markets. |  |  |  | | --- | --- | | C. | Government regulatory agencies. |  |  |  | | --- | --- | | D. | Nonprofit organizations. | |

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| 29. | Federal taxes have which of the following effects on the economy?      |  |  | | --- | --- | | A. | If taxes are increased, the economy expands due to a balanced budget. |  |  |  | | --- | --- | | B. | If taxes are decreased, businesses will invest the difference back into the economy. |  |  |  | | --- | --- | | C. | There is no definitive agreement on the effect. |  |  |  | | --- | --- | | D. | Lower federal taxes will cause budget surpluses. | |

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| 30. | Over the past 30 years, most countries have moved toward      |  |  | | --- | --- | | A. | more government regulation of the economy. |  |  |  | | --- | --- | | B. | less government regulation of the economy. |  |  |  | | --- | --- | | C. | planned central economies. |  |  |  | | --- | --- | | D. | closing the economy to imports. | |

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| 31. | Deregulation in the United States began with what industry in the 1970s?      |  |  | | --- | --- | | A. | The postal service. |  |  |  | | --- | --- | | B. | Telecommunications. |  |  |  | | --- | --- | | C. | The agricultural industry. |  |  |  | | --- | --- | | D. | Interstate trucking. | |

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| 32. | For the United States, one important benefit of foreign trade is      |  |  | | --- | --- | | A. | less domestic competition. |  |  |  | | --- | --- | | B. | decreased domestic competition. |  |  |  | | --- | --- | | C. | reality checks in the economy. |  |  |  | | --- | --- | | D. | access to cheaper goods and services. | |

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| 33. | An example of a company that uses financial markets to raise money is      |  |  | | --- | --- | | A. | a local television news website. |  |  |  | | --- | --- | | B. | your local carryout restaurant. |  |  |  | | --- | --- | | C. | the Ford Motor Company. |  |  |  | | --- | --- | | D. | the Social Security Administration. | |

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| 34. | What was the impact of "subprime" mortgages on the economy?      |  |  | | --- | --- | | A. | They reduced interest rates. |  |  |  | | --- | --- | | B. | They increased defaults and caused large losses at financial institutions. |  |  |  | | --- | --- | | C. | They had a positive impact on economic growth. |  |  |  | | --- | --- | | D. | They initially reduced profits and sales of lenders. | |

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| 35. | Economics competition can have which of the following negative effects on a domestic economy?      |  |  | | --- | --- | | A. | It drives up wages and profits. |  |  |  | | --- | --- | | B. | It protects domestic jobs. |  |  |  | | --- | --- | | C. | It increases the profits of domestic suppliers. |  |  |  | | --- | --- | | D. | It drives down wages and profits. | |

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| 36. | Closed economies generally do \_\_\_\_\_\_ open economies, in the long run.      |  |  | | --- | --- | | A. | slightly better than |  |  |  | | --- | --- | | B. | worse than |  |  |  | | --- | --- | | C. | about the same as |  |  |  | | --- | --- | | D. | at least five times better than | |

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| 37. | The influx of inexpensive, reliable cars from Japan in the 1980s forced domestic producers to      |  |  | | --- | --- | | A. | improve the reliability and cost of their cars. |  |  |  | | --- | --- | | B. | ask for greater import protections. |  |  |  | | --- | --- | | C. | lobby for a closed economy. |  |  |  | | --- | --- | | D. | build larger, more luxurious vehicles. | |

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| 38. | The government provides what type of incentives to the housing industry in order to promote growth?      |  |  | | --- | --- | | A. | Tax-deductible interest. |  |  |  | | --- | --- | | B. | Strict building codes. |  |  |  | | --- | --- | | C. | Direct mortgage lending. |  |  |  | | --- | --- | | D. | No-interest loans. | |

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| 39. | The income and wealth gap in the United States has      |  |  | | --- | --- | | A. | stayed the same in recent years. |  |  |  | | --- | --- | | B. | increased in recent years. |  |  |  | | --- | --- | | C. | decreased in recent years. |  |  |  | | --- | --- | | D. | helped reduce the federal budget deficit. | |

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| 40. | The top \_\_\_\_\_% of U.S. households earn more than half of the country's income.      |  |  | | --- | --- | | A. | 25 |  |  |  | | --- | --- | | B. | 15 |  |  |  | | --- | --- | | C. | 35 |  |  |  | | --- | --- | | D. | 20 | |

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| 41. | Chinese leader Deng Xiaoping began what process in the 1980s?      |  |  | | --- | --- | | A. | The Chinese cultural revolution. |  |  |  | | --- | --- | | B. | Moving the economy toward central planning. |  |  |  | | --- | --- | | C. | Shifting away from a centralized economy. |  |  |  | | --- | --- | | D. | Adding multiparty democracy. | |

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| 42. | In 2009 the gross domestic product of the United States was      |  |  | | --- | --- | | A. | $14.1 million. |  |  |  | | --- | --- | | B. | $14.1 billion. |  |  |  | | --- | --- | | C. | $14.1 trillion. |  |  |  | | --- | --- | | D. | $46,000. | |

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| 43. | Which of the following countries have better retirement benefits and more job security than the United States?      |  |  | | --- | --- | | A. | France and Germany. |  |  |  | | --- | --- | | B. | China and India. |  |  |  | | --- | --- | | C. | Canada and Mexico. |  |  |  | | --- | --- | | D. | No other countries do. | |

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| 44. | Technological change is generally      |  |  | | --- | --- | | A. | very uneven. |  |  |  | | --- | --- | | B. | slow across the board. |  |  |  | | --- | --- | | C. | evenly divided across industries. |  |  |  | | --- | --- | | D. | always manageable by government. | |

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| 45. | Nuclear power in the United States turned out to be      |  |  | | --- | --- | | A. | a boon to the economy. |  |  |  | | --- | --- | | B. | well worth the time and investment. |  |  |  | | --- | --- | | C. | far more expensive and troublesome than expected. |  |  |  | | --- | --- | | D. | a hazard-free source of limitless power. | |

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| 46. | Supply and demand are examples of      |  |  | | --- | --- | | A. | the tools of economics. |  |  |  | | --- | --- | | B. | outdated economic theories. |  |  |  | | --- | --- | | C. | technological advances. |  |  |  | | --- | --- | | D. | a primary source of disagreement among economists. | |

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| 47. | Renewable energy sources provided \_\_\_\_\_% of U.S. needs as of 2009.      |  |  | | --- | --- | | A. | 8 |  |  |  | | --- | --- | | B. | 15 |  |  |  | | --- | --- | | C. | 20 |  |  |  | | --- | --- | | D. | Almost 100 | |

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| 48. | What is one reason why countries are more interconnected today?      |  |  | | --- | --- | | A. | Technology. |  |  |  | | --- | --- | | B. | Decreased exports. |  |  |  | | --- | --- | | C. | Decreased imports. |  |  |  | | --- | --- | | D. | Increased costs of communications. | |

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| 49. | Most people have \_\_\_\_\_\_\_ feelings about the financial markets.      |  |  | | --- | --- | | A. | mixed |  |  |  | | --- | --- | | B. | happy |  |  |  | | --- | --- | | C. | negative |  |  |  | | --- | --- | | D. | no | |

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| 50. | Which is not an example of government intervention in the economy?      |  |  | | --- | --- | | A. | The Food and Drug Administration. |  |  |  | | --- | --- | | B. | The Federal Aeronautics Administration. |  |  |  | | --- | --- | | C. | The Federal Reserve. |  |  |  | | --- | --- | | D. | The Brookings Institute. | |

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| 51. | Which of the following is NOT mentioned in the textbook as one of its three goals?      |  |  | | --- | --- | | A. | Presenting the basic tools of economics. |  |  |  | | --- | --- | | B. | Promoting an understanding of markets. |  |  |  | | --- | --- | | C. | Showing the ways in which the possibilities of today's economy are expanding. |  |  |  | | --- | --- | | D. | Teaching how to successfully invest money in the stock market. | |

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| 52. | Which of the following is NOT mentioned in the textbook as a constraint that affects the economy?      |  |  | | --- | --- | | A. | Households are limited in what they can purchase by their income. |  |  |  | | --- | --- | | B. | Businesses are limited in what they can produce by technology. |  |  |  | | --- | --- | | C. | Households are limited in what they can purchase by government regulations. |  |  |  | | --- | --- | | D. | Businesses are limited in what they can produce by past investments in factories, processes and materials. | |

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| 53. | The textbook says that which of the following is among the key forces shaping today's economy?      |  |  | | --- | --- | | A. | Technological change. |  |  |  | | --- | --- | | B. | Government regulations. |  |  |  | | --- | --- | | C. | Decreasing consumer confidence. |  |  |  | | --- | --- | | D. | Increasing rates of unionization. | |

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| 54. | The textbook says that which of the following is among the key forces shaping today's economy?      |  |  | | --- | --- | | A. | Political scandals. |  |  |  | | --- | --- | | B. | Government regulations. |  |  |  | | --- | --- | | C. | Globalization. |  |  |  | | --- | --- | | D. | Increasing income inequality. | |

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| 55. | The textbook says that which of the following is among the key forces shaping today's economy?      |  |  | | --- | --- | | A. | Mistrust of capitalism. |  |  |  | | --- | --- | | B. | Social networking. |  |  |  | | --- | --- | | C. | Illegal accounting practices. |  |  |  | | --- | --- | | D. | The evolution of financial markets. | |

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| 56. | Can economic competition be viewed as a positive force for growth and progress?      |  |  | | --- | --- | | A. | No, economic competition historically had neither a positive nor a negative effect. |  |  |  | | --- | --- | | B. | No, because there is more poverty today than in the past. |  |  |  | | --- | --- | | C. | Yes, because economic competition of any type always leads to growth and progress. |  |  |  | | --- | --- | | D. | Yes, as long as it is conducted within a fair set of rules. | |

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| 57. | Suppose the government decides to eliminate some, but not all, of the rules that govern how investment banks conduct their business. This would be an example of      |  |  | | --- | --- | | A. | laissez-faire policy. |  |  |  | | --- | --- | | B. | deregulation. |  |  |  | | --- | --- | | C. | central planning. |  |  |  | | --- | --- | | D. | economic competition. | |

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| 58. | By total economic output (gross domestic product), the United States ranks as the \_\_\_\_\_\_ largest economy in the world.      |  |  | | --- | --- | | A. | first |  |  |  | | --- | --- | | B. | second |  |  |  | | --- | --- | | C. | third |  |  |  | | --- | --- | | D. | tenth | |

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| 59. | Gross domestic product is      |  |  | | --- | --- | | A. | not a useful indicator of prosperity. |  |  |  | | --- | --- | | B. | the only indicator of prosperity that economists use. |  |  |  | | --- | --- | | C. | one of many indicators of prosperity, some of which are monetary, and some of which are nonmonetary. |  |  |  | | --- | --- | | D. | one of many indicators of prosperity, all of which are monetary in nature. | |

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| 60. | Which of the following is presented in the text as an issue about which reputable economists might disagree?      |  |  | | --- | --- | | A. | Whether unemployment rose significantly during the Great Recession. |  |  |  | | --- | --- | | B. | Whether the government should provide more scholarship funds. |  |  |  | | --- | --- | | C. | The impact on the federal budget of an increase in military spending. |  |  |  | | --- | --- | | D. | The definition of a market transaction. | |

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| 61. | Which of the following does NOT explain why there are so many disagreements among economists?      |  |  | | --- | --- | | A. | In some cases, there aren't enough data to answer the question. |  |  |  | | --- | --- | | B. | In some cases, the controversy is aggravated by political agendas. |  |  |  | | --- | --- | | C. | In some cases, individuals may stand to gain from policy changes. |  |  |  | | --- | --- | | D. | In some cases, economists have simply not investigated the issue at hand. | |

**Short Answer Questions**

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| 62. | What are the main forces shaping today's economy, and how are they impacting the economy? |

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| 63. | How does top-down management of an economy affect it? |

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| 64. | Why is the gross domestic product one of the indicators of prosperity? |

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| 65. | What does an economic safety net provide, and why would a country want to have one? |

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| 66. | Why do economists disagree on so many economic policy questions? |

Chapter 01 Introduction Answer Key

**True / False Questions**

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| 1. | Technological change is a key force in shaping today's economy.    **TRUE**  There are three main forces shaping today's economy: technological change, globalization, and the evolution of financial markets. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 2. | Globalization is the increasing exchange of goods, services, ideas, and people among a small community.    **FALSE**  Globalization is the increasing exchange of goods, services, ideas, and people among countries. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 3. | Technological change is the only reason for globalization.    **FALSE**  Technological change by itself is not enough to explain the pull of globalization. Most people accept that being open to the global economy brings enormous advantages. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 4. | A laissez-faire economy has minimal, if any, government regulations or laws affecting the economy.    **TRUE**  A laissez-faire economy has few government regulations or laws. |

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| 5. | History suggests that economic competition is the most consistent force for economic growth and progress.    **TRUE**  A company has a much stronger incentive to innovate and to produce a better and cheaper product if it knows that its rival is trying to take its customers. |

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| 6. | Deregulation includes reducing governmental control over some aspects of private industry, while increasing control of others.    **FALSE**  Deregulation is the process of reducing government control over markets. |

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| 7. | The gross domestic product is the dollar value of all goods and services produced by the economy.    **TRUE**  Gross domestic product is the dollar value of the total output of a national economy over a one year period. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-04 Define economics and discuss how prosperity is measured.* |

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| 8. | Most economists agree on the amount of government intervention necessary in an economy.    **FALSE**  Many leading economic theories differ as to the amount and type of government intervention that is necessary for a country's economy. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-05 Name some key disagreements in economics.* |

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| 9. | A centrally planned economy encourages investment and innovation.    **FALSE**  Centrally planned economies seem to do poorly in the long run. Top-down management reduces insecurity, but at the cost of reducing incentives to innovate and make improvements. |

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| *AACSB: Reflective Thinking Blooms: Apply Difficulty: 3 Hard Learning Objective: 01-03 Explain the debate over the role of government in the economy.* |

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| 10. | Economics is the study of how individuals, businesses, and governments make decisions and make trade-offs in the face of scarce resources.    **TRUE**  Economics is the study of how individuals businesses and governments make decisions and trade-offs in the face of scare resources. |

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**Multiple Choice Questions**

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| 11. | Technological change has always been the critical factor in raising living standards, even going as far back as the development of the \_\_\_\_\_\_\_\_\_\_.      |  |  | | --- | --- | | **A.** | steam engine |  |  |  | | --- | --- | | B. | iPod |  |  |  | | --- | --- | | C. | bicycle |  |  |  | | --- | --- | | D. | fluorescent light |   From the development of the steam engine, the automobile, and electricity through the creation of computers and the Internet, technological change has been the critical factor in raising living standards. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 12. | Globalization is the exchange of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ among countries.      |  |  | | --- | --- | | A. | e-mail |  |  |  | | --- | --- | | B. | telephone calls |  |  |  | | --- | --- | | **C.** | goods, services, ideas, and people |  |  |  | | --- | --- | | D. | money |   Globalization is the increasing exchange of goods, services, ideas, and people among countries. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 13. | Which of the following is NOT part of an economy's financial market?      |  |  | | --- | --- | | A. | The residential mortgage market. |  |  |  | | --- | --- | | B. | The stock market. |  |  |  | | --- | --- | | C. | Banks and brokerage firms. |  |  |  | | --- | --- | | **D.** | Political action committees. |   Financial markets are the parts of the economy connected with borrowing, investing, or transferring money. |

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| *AACSB: Ethics Blooms: Apply Difficulty: 1 Easy Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 14. | In a centrally planned economy, decisions are made by      |  |  | | --- | --- | | A. | private businesses. |  |  |  | | --- | --- | | B. | large corporations. |  |  |  | | --- | --- | | C. | low-level government employees. |  |  |  | | --- | --- | | **D.** | top-level government officials. |   Most economic activities in a centrally planned economy are controlled by the government. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-03 Explain the debate over the role of government in the economy.* |

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| 15. | China and India have economically prospered recently by introducing      |  |  | | --- | --- | | A. | more centralized planning. |  |  |  | | --- | --- | | B. | greater government intervention. |  |  |  | | --- | --- | | C. | a stronger central bank. |  |  |  | | --- | --- | | **D.** | a more market-based economy. |   Developing countries such as China and India have prospered by introducing more elements of a U.S.-style economy, including more competition, start-ups of new companies, and much less top-down management by the government. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-03 Explain the debate over the role of government in the economy.* |

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| 16. | Governments generally take responsibility for      |  |  | | --- | --- | | A. | deciding what is produced by most businesses. |  |  |  | | --- | --- | | B. | determining the moral code. |  |  |  | | --- | --- | | **C.** | making sure the economy remains healthy. |  |  |  | | --- | --- | | D. | the purchasing decisions of households. |   The government issues money, insures bank deposits, and regulated the banks and the financial system to maintain a healthy economy. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-03 Explain the debate over the role of government in the economy.* |

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| 17. | Deregulation is the process of \_\_\_\_\_\_\_\_\_ government control over industries.      |  |  | | --- | --- | | A. | increasing |  |  |  | | --- | --- | | B. | eliminating |  |  |  | | --- | --- | | **C.** | reducing |  |  |  | | --- | --- | | D. | marginalizing |   Deregulation is the process of reducing government control over industries. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-03 Explain the debate over the role of government in the economy.* |

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| 18. | The most consistent force for economic growth and progress is      |  |  | | --- | --- | | A. | government regulation. |  |  |  | | --- | --- | | B. | the gross domestic product. |  |  |  | | --- | --- | | C. | technology integration. |  |  |  | | --- | --- | | **D.** | economic competition. |   History suggests that economic competition is the most consistent force for growth and progress. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-03 Explain the debate over the role of government in the economy.* |

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| 19. | The gross domestic product is calculated by adding up the      |  |  | | --- | --- | | A. | value of all goods and services produced by domestic companies abroad. |  |  |  | | --- | --- | | B. | number of all tangible goods produced in a domestic economy. |  |  |  | | --- | --- | | **C.** | value of all goods and services produced within the nation. |  |  |  | | --- | --- | | D. | value of services produced domestically and goods produced overseas. |   Gross domestic product is the dollar value of the total output of an economy; based on final goods and services produced in a year. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-04 Define economics and discuss how prosperity is measured.* |

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| 20. | Poorer countries started to develop economically when they      |  |  | | --- | --- | | A. | focused on becoming net traders. |  |  |  | | --- | --- | | **B.** | figured out what the rest of the world wanted, and responded. |  |  |  | | --- | --- | | C. | focused on becoming importers. |  |  |  | | --- | --- | | D. | focused on domestic economic regulation. |   Developing countries prosper when they export goods and services that solve a need. China and India are two examples of such economies. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 21. | A laissez-faire economy has      |  |  | | --- | --- | | A. | a large amount of government regulation. |  |  |  | | --- | --- | | B. | a centrally planned economy. |  |  |  | | --- | --- | | C. | a policy of government intervention. |  |  |  | | --- | --- | | **D.** | very little government regulation of the economy. |   A laissez-faire economy has few government regulations or laws. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-03 Explain the debate over the role of government in the economy.* |

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| 22. | Top-down management of an economy by the government has consistently      |  |  | | --- | --- | | A. | produced exceptional results in economic growth. |  |  |  | | --- | --- | | B. | created incentives and opportunities for businesses to expand. |  |  |  | | --- | --- | | C. | caused double-digit increases in GDP. |  |  |  | | --- | --- | | **D.** | led to low rates of economic growth. |   Top-down management reduces insecurity, but at the cost of reducing incentives to innovate and make improvements. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-03 Explain the debate over the role of government in the economy.* |

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| 23. | One measurement of economic prosperity is      |  |  | | --- | --- | | A. | the happiness index. |  |  |  | | --- | --- | | B. | the gross domestic policy. |  |  |  | | --- | --- | | C. | interest rates. |  |  |  | | --- | --- | | **D.** | the gross domestic product. |   There are a number of different ways to measure economic prosperity such as gross domestic product, data on wages and benefits, annual household income, and household consumption. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-04 Define economics and discuss how prosperity is measured.* |

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| 24. | Besides the gross domestic product, another measure of how well an economy is doing is:      |  |  | | --- | --- | | **A.** | annual household income. |  |  |  | | --- | --- | | B. | government tax rates. |  |  |  | | --- | --- | | C. | popularity polls. |  |  |  | | --- | --- | | D. | citations in economic journals. |   There are a number of different ways to measure economic prosperity such as gross domestic product, data on wages and benefits, annual household income, and household consumption. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-04 Define economics and discuss how prosperity is measured.* |

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| 25. | Which of the following countries is NOT among the 10 largest economies in the world?      |  |  | | --- | --- | | **A.** | Israel. |  |  |  | | --- | --- | | B. | China. |  |  |  | | --- | --- | | C. | Brazil. |  |  |  | | --- | --- | | D. | India. |   See Figure 1.1 in the text |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-04 Define economics and discuss how prosperity is measured.* |

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| 26. | Which of the following is part of the U.S. government's economic safety net?      |  |  | | --- | --- | | **A.** | Social Security. |  |  |  | | --- | --- | | B. | Blue Cross and Blue Shield. |  |  |  | | --- | --- | | C. | Church-affiliated food kitchens. |  |  |  | | --- | --- | | D. | National Sisters of the Poor Welfare Agency. |   The U.S. safety net consists of Social Security, Medicare, Medicaid, unemployment insurance, food stamps, housing subsidies, and tax credits for low-income wage earners. |

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| 27. | Which of the following is an example of technological change?      |  |  | | --- | --- | | A. | Filet mignon. |  |  |  | | --- | --- | | B. | Ralph Lauren clothing. |  |  |  | | --- | --- | | **C.** | The personal computer. |  |  |  | | --- | --- | | D. | Starbucks coffee. |   Technological change is an improvement in knowledge that increases the quantity and range of goods and services that the economy can deliver. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 28. | The financial markets do NOT include which of the following?      |  |  | | --- | --- | | A. | Banks. |  |  |  | | --- | --- | | B. | Stock markets. |  |  |  | | --- | --- | | C. | Government regulatory agencies. |  |  |  | | --- | --- | | **D.** | Nonprofit organizations. |   Financial markets encompass all parts of the economy that have to do with borrowing, investing, or transferring money. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 29. | Federal taxes have which of the following effects on the economy?      |  |  | | --- | --- | | A. | If taxes are increased, the economy expands due to a balanced budget. |  |  |  | | --- | --- | | B. | If taxes are decreased, businesses will invest the difference back into the economy. |  |  |  | | --- | --- | | **C.** | There is no definitive agreement on the effect. |  |  |  | | --- | --- | | D. | Lower federal taxes will cause budget surpluses. |   Some economists believe that higher rates of taxation are preferable, while others believe that tax levels should be lower. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 3 Hard Learning Objective: 01-05 Name some key disagreements in economics.* |

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| 30. | Over the past 30 years, most countries have moved toward      |  |  | | --- | --- | | A. | more government regulation of the economy. |  |  |  | | --- | --- | | **B.** | less government regulation of the economy. |  |  |  | | --- | --- | | C. | planned central economies. |  |  |  | | --- | --- | | D. | closing the economy to imports. |   Countries that have prospered economically generally have leaned toward less government intervention in the economy. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-03 Explain the debate over the role of government in the economy.* |

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| 31. | Deregulation in the United States began with what industry in the 1970s?      |  |  | | --- | --- | | A. | The postal service. |  |  |  | | --- | --- | | B. | Telecommunications. |  |  |  | | --- | --- | | C. | The agricultural industry. |  |  |  | | --- | --- | | **D.** | Interstate trucking. |   President Jimmy Carter started reducing government control over the airline and trucking industries in the late 1970s. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-03 Explain the debate over the role of government in the economy.* |

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| 32. | For the United States, one important benefit of foreign trade is      |  |  | | --- | --- | | A. | less domestic competition. |  |  |  | | --- | --- | | B. | decreased domestic competition. |  |  |  | | --- | --- | | C. | reality checks in the economy. |  |  |  | | --- | --- | | **D.** | access to cheaper goods and services. |   For rich countries like the United States, one primary benefit of trade is access to cheaper goods and services. |

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| *AACSB: Reflective Thinking Blooms: Apply Difficulty: 3 Hard Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 33. | An example of a company that uses financial markets to raise money is      |  |  | | --- | --- | | A. | a local television news website. |  |  |  | | --- | --- | | B. | your local carryout restaurant. |  |  |  | | --- | --- | | **C.** | the Ford Motor Company. |  |  |  | | --- | --- | | D. | the Social Security Administration. |   Ford Motor Company raises money by issuing stocks in the stock market. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 34. | What was the impact of "subprime" mortgages on the economy?      |  |  | | --- | --- | | A. | They reduced interest rates. |  |  |  | | --- | --- | | **B.** | They increased defaults and caused large losses at financial institutions. |  |  |  | | --- | --- | | C. | They had a positive impact on economic growth. |  |  |  | | --- | --- | | D. | They initially reduced profits and sales of lenders. |   Subprime loans were given to people who did not have enough income to qualify for ordinary mortgages. When housing prices started to turn down, suddenly many Americans found they owed more money than their homes were worth and people began defaulting on their loans. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 35. | Economics competition can have which of the following negative effects on a domestic economy?      |  |  | | --- | --- | | A. | It drives up wages and profits. |  |  |  | | --- | --- | | B. | It protects domestic jobs. |  |  |  | | --- | --- | | C. | It increases the profits of domestic suppliers. |  |  |  | | --- | --- | | **D.** | It drives down wages and profits. |   Economic competition seems to leave behind large pockets of poverty, as wage and profits are driven down. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 36. | Closed economies generally do \_\_\_\_\_\_ open economies, in the long run.      |  |  | | --- | --- | | A. | slightly better than |  |  |  | | --- | --- | | **B.** | worse than |  |  |  | | --- | --- | | C. | about the same as |  |  |  | | --- | --- | | D. | at least five times better than |   Economies that are closed—that is, cut off from the rest of the world—quickly fall behind because they forgo the benefits of globalization and trade. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 37. | The influx of inexpensive, reliable cars from Japan in the 1980s forced domestic producers to      |  |  | | --- | --- | | **A.** | improve the reliability and cost of their cars. |  |  |  | | --- | --- | | B. | ask for greater import protections. |  |  |  | | --- | --- | | C. | lobby for a closed economy. |  |  |  | | --- | --- | | D. | build larger, more luxurious vehicles. |   In order to stay competitive, domestic producers have to improve the reliability and cost of their cars. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 3 Hard Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 38. | The government provides what type of incentives to the housing industry in order to promote growth?      |  |  | | --- | --- | | **A.** | Tax-deductible interest. |  |  |  | | --- | --- | | B. | Strict building codes. |  |  |  | | --- | --- | | C. | Direct mortgage lending. |  |  |  | | --- | --- | | D. | No-interest loans. |   The government has arranged the tax code to benefit home buyers who take out mortgages: mortgage interest payments are typically tax-deductible. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 3 Hard Learning Objective: 01-03 Explain the debate over the role of government in the economy.* |

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| 39. | The income and wealth gap in the United States has      |  |  | | --- | --- | | A. | stayed the same in recent years. |  |  |  | | --- | --- | | **B.** | increased in recent years. |  |  |  | | --- | --- | | C. | decreased in recent years. |  |  |  | | --- | --- | | D. | helped reduce the federal budget deficit. |   The income and wealth gap in the United States has increased in recent years. |

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| *AACSB: Analytic AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-04 Define economics and discuss how prosperity is measured.* |

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| 40. | The top \_\_\_\_\_% of U.S. households earn more than half of the country's income.      |  |  | | --- | --- | | A. | 25 |  |  |  | | --- | --- | | B. | 15 |  |  |  | | --- | --- | | C. | 35 |  |  |  | | --- | --- | | **D.** | 20 |   The top 20% of U.S households earn more than half of the country's income. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 3 Hard Learning Objective: 01-04 Define economics and discuss how prosperity is measured.* |

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| 41. | Chinese leader Deng Xiaoping began what process in the 1980s?      |  |  | | --- | --- | | A. | The Chinese cultural revolution. |  |  |  | | --- | --- | | B. | Moving the economy toward central planning. |  |  |  | | --- | --- | | **C.** | Shifting away from a centralized economy. |  |  |  | | --- | --- | | D. | Adding multiparty democracy. |   Deng Xiaoping began deregulation of portions of the Chinese economy. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-03 Explain the debate over the role of government in the economy.* |

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| 42. | In 2009 the gross domestic product of the United States was      |  |  | | --- | --- | | A. | $14.1 million. |  |  |  | | --- | --- | | B. | $14.1 billion. |  |  |  | | --- | --- | | **C.** | $14.1 trillion. |  |  |  | | --- | --- | | D. | $46,000. |   See "How it Works: Gross Domestic Product." |

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| *AACSB: Analytic Blooms: Remember Difficulty: 3 Hard Learning Objective: 01-04 Define economics and discuss how prosperity is measured.* |

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| 43. | Which of the following countries have better retirement benefits and more job security than the United States?      |  |  | | --- | --- | | **A.** | France and Germany. |  |  |  | | --- | --- | | B. | China and India. |  |  |  | | --- | --- | | C. | Canada and Mexico. |  |  |  | | --- | --- | | D. | No other countries do. |   France and Germany pride themselves on the strength of their social safety nets, which offer comprehensive medical care, better retirement benefits, and more job security than in the United States. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 3 Hard Learning Objective: 01-04 Define economics and discuss how prosperity is measured.* |

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| 44. | Technological change is generally      |  |  | | --- | --- | | **A.** | very uneven. |  |  |  | | --- | --- | | B. | slow across the board. |  |  |  | | --- | --- | | C. | evenly divided across industries. |  |  |  | | --- | --- | | D. | always manageable by government. |   Technological change is uneven, moving much faster in some industries than others. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 45. | Nuclear power in the United States turned out to be      |  |  | | --- | --- | | A. | a boon to the economy. |  |  |  | | --- | --- | | B. | well worth the time and investment. |  |  |  | | --- | --- | | **C.** | far more expensive and troublesome than expected. |  |  |  | | --- | --- | | D. | a hazard-free source of limitless power. |   Expense and technical issues have made nuclear power a nonviable energy source so far. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 46. | Supply and demand are examples of      |  |  | | --- | --- | | **A.** | the tools of economics. |  |  |  | | --- | --- | | B. | outdated economic theories. |  |  |  | | --- | --- | | C. | technological advances. |  |  |  | | --- | --- | | D. | a primary source of disagreement among economists. |   Supply and demand are among the basic tools of economics. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-01 Understand the importance of markets.* |

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| 47. | Renewable energy sources provided \_\_\_\_\_% of U.S. needs as of 2009.      |  |  | | --- | --- | | **A.** | 8 |  |  |  | | --- | --- | | B. | 15 |  |  |  | | --- | --- | | C. | 20 |  |  |  | | --- | --- | | D. | Almost 100 |   Renewable energy sources provided only 8% of U.S. energy needs as of 2009. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 48. | What is one reason why countries are more interconnected today?      |  |  | | --- | --- | | **A.** | Technology. |  |  |  | | --- | --- | | B. | Decreased exports. |  |  |  | | --- | --- | | C. | Decreased imports. |  |  |  | | --- | --- | | D. | Increased costs of communications. |   Technological advances have lead to more interconnectivity between countries. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 49. | Most people have \_\_\_\_\_\_\_ feelings about the financial markets.      |  |  | | --- | --- | | **A.** | mixed |  |  |  | | --- | --- | | B. | happy |  |  |  | | --- | --- | | C. | negative |  |  |  | | --- | --- | | D. | no |   Most people have mixed feelings about the financial markets. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 50. | Which is not an example of government intervention in the economy?      |  |  | | --- | --- | | A. | The Food and Drug Administration. |  |  |  | | --- | --- | | B. | The Federal Aeronautics Administration. |  |  |  | | --- | --- | | C. | The Federal Reserve. |  |  |  | | --- | --- | | **D.** | The Brookings Institute. |   The Brookings Institute is not a federal agency. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 3 Hard Learning Objective: 01-03 Explain the debate over the role of government in the economy.* |

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| 51. | Which of the following is NOT mentioned in the textbook as one of its three goals?      |  |  | | --- | --- | | A. | Presenting the basic tools of economics. |  |  |  | | --- | --- | | B. | Promoting an understanding of markets. |  |  |  | | --- | --- | | C. | Showing the ways in which the possibilities of today's economy are expanding. |  |  |  | | --- | --- | | **D.** | Teaching how to successfully invest money in the stock market. |   This textbook strives to accomplish three goals: to present the basic tools of economics, to promote an understanding of markets, and to show the ways in which the possibilities of today's economy are expanding. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-01 Understand the importance of markets.* |

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| 52. | Which of the following is NOT mentioned in the textbook as a constraint that affects the economy?      |  |  | | --- | --- | | A. | Households are limited in what they can purchase by their income. |  |  |  | | --- | --- | | B. | Businesses are limited in what they can produce by technology. |  |  |  | | --- | --- | | **C.** | Households are limited in what they can purchase by government regulations. |  |  |  | | --- | --- | | D. | Businesses are limited in what they can produce by past investments in factories, processes and materials. |   See "The Big Picture." |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 3 Hard Learning Objective: 01-01 Understand the importance of markets.* |

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| 53. | The textbook says that which of the following is among the key forces shaping today's economy?      |  |  | | --- | --- | | **A.** | Technological change. |  |  |  | | --- | --- | | B. | Government regulations. |  |  |  | | --- | --- | | C. | Decreasing consumer confidence. |  |  |  | | --- | --- | | D. | Increasing rates of unionization. |   Technological change, globalization, and the evolution of financial markets are among the three main forces shaping today's economy. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 54. | The textbook says that which of the following is among the key forces shaping today's economy?      |  |  | | --- | --- | | A. | Political scandals. |  |  |  | | --- | --- | | B. | Government regulations. |  |  |  | | --- | --- | | **C.** | Globalization. |  |  |  | | --- | --- | | D. | Increasing income inequality. |   Technological change, globalization, and the evolution of financial markets are among the three main forces shaping today's economy. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 55. | The textbook says that which of the following is among the key forces shaping today's economy?      |  |  | | --- | --- | | A. | Mistrust of capitalism. |  |  |  | | --- | --- | | B. | Social networking. |  |  |  | | --- | --- | | C. | Illegal accounting practices. |  |  |  | | --- | --- | | **D.** | The evolution of financial markets. |   Technological change, globalization, and the evolution of financial markets are among the three main forces shaping today's economy. |

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| *AACSB: Reflective Thinking Blooms: Remember Difficulty: 1 Easy Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 56. | Can economic competition be viewed as a positive force for growth and progress?      |  |  | | --- | --- | | A. | No, economic competition historically had neither a positive nor a negative effect. |  |  |  | | --- | --- | | B. | No, because there is more poverty today than in the past. |  |  |  | | --- | --- | | C. | Yes, because economic competition of any type always leads to growth and progress. |  |  |  | | --- | --- | | **D.** | Yes, as long as it is conducted within a fair set of rules. |   Economic competition, conducted within a fair set of rules, is the most consistent force for growth and progress. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-03 Explain the debate over the role of government in the economy.* |

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| 57. | Suppose the government decides to eliminate some, but not all, of the rules that govern how investment banks conduct their business. This would be an example of      |  |  | | --- | --- | | A. | laissez-faire policy. |  |  |  | | --- | --- | | **B.** | deregulation. |  |  |  | | --- | --- | | C. | central planning. |  |  |  | | --- | --- | | D. | economic competition. |   Deregulation is the process of reducing government control over markets. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-03 Explain the debate over the role of government in the economy.* |

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| 58. | By total economic output (gross domestic product), the United States ranks as the \_\_\_\_\_\_ largest economy in the world.      |  |  | | --- | --- | | **A.** | first |  |  |  | | --- | --- | | B. | second |  |  |  | | --- | --- | | C. | third |  |  |  | | --- | --- | | D. | tenth |   See Figure 1.1. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-04 Define economics and discuss how prosperity is measured.* |

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| 59. | Gross domestic product is      |  |  | | --- | --- | | A. | not a useful indicator of prosperity. |  |  |  | | --- | --- | | B. | the only indicator of prosperity that economists use. |  |  |  | | --- | --- | | **C.** | one of many indicators of prosperity, some of which are monetary, and some of which are nonmonetary. |  |  |  | | --- | --- | | D. | one of many indicators of prosperity, all of which are monetary in nature. |   Gross domestic product is on of many indicators of prosperity. |

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| *AACSB: Analytic Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-04 Define economics and discuss how prosperity is measured.* |

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| 60. | Which of the following is presented in the text as an issue about which reputable economists might disagree?      |  |  | | --- | --- | | A. | Whether unemployment rose significantly during the Great Recession. |  |  |  | | --- | --- | | **B.** | Whether the government should provide more scholarship funds. |  |  |  | | --- | --- | | C. | The impact on the federal budget of an increase in military spending. |  |  |  | | --- | --- | | D. | The definition of a market transaction. |   Reputable economists disagree about how big the government's role should be in health, education, and retirement. |

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| *AACSB: Analytic Blooms: Remember Difficulty: 2 Medium Learning Objective: 01-05 Name some key disagreements in economics.* |

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| 61. | Which of the following does NOT explain why there are so many disagreements among economists?      |  |  | | --- | --- | | A. | In some cases, there aren't enough data to answer the question. |  |  |  | | --- | --- | | B. | In some cases, the controversy is aggravated by political agendas. |  |  |  | | --- | --- | | C. | In some cases, individuals may stand to gain from policy changes. |  |  |  | | --- | --- | | **D.** | In some cases, economists have simply not investigated the issue at hand. |   In many cases there is not enough data to support a right answer. In other cases the controversy is aggravated by political agendas of those who stand to gain from policy changes. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 3 Hard Learning Objective: 01-05 Name some key disagreements in economics.* |

**Short Answer Questions**

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| 62. | What are the main forces shaping today's economy, and how are they impacting the economy?     There are three main forces shaping today's economy. They are technological change, globalization, and the evolution of financial markets. Technological change is expanding the range of goods and services that the economy can produce. Globalization is causing producers to source production wherever it is most efficient. Financial markets have recently experienced severe problems that damaged the rest of the economy. All three forces are converging to shape the economy in sometimes unanticipated ways |

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| *AACSB: Analytic Blooms: Understand Difficulty: 1 Easy Learning Objective: 01-02 Identify three of the main forces shaping today's economy.* |

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| 63. | How does top-down management of an economy affect it?     Top-down management reduces insecurity, but also reduces the incentive to innovate and make improvements. Without incentive, workers have less motivation to work harder or longer, reducing overall productivity. |

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| *AACSB: Reflective Thinking Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-03 Explain the debate over the role of government in the economy.* |

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| 64. | Why is the gross domestic product one of the indicators of prosperity?     The more goods and services an economy can produce, the better off it is doing, and the more that its citizens, on average, can consume. If the GDP is rising, it is an indication that overall productivity is increasing, and the corresponding wealth of the economy is growing |

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| *AACSB: Ethics Blooms: Remember Difficulty: 3 Hard Learning Objective: 01-04 Define economics and discuss how prosperity is measured.* |

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| 65. | What does an economic safety net provide, and why would a country want to have one?     A safety net provides a measure of security for the poor, the sick, and the vulnerable. A country would provide a safety net for its less fortunate citizens because it is not generally morally or politically acceptable for most of the population to live good lifestyles while a smaller number are much worse off. |

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| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-04 Define economics and discuss how prosperity is measured.* |

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| 66. | Why do economists disagree on so many economic policy questions?     In some situations, economists do not have enough data to be certain of the right answer. In other situations, the disagreements are aggravated by the political agendas of parties who stand to gain or lose by changes in the government's economic policy. |

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| *AACSB: Ethics Blooms: Understand Difficulty: 2 Medium Learning Objective: 01-05 Name some key disagreements in economics.* |