

Chapter 2 Practice Test

Multiple Choice

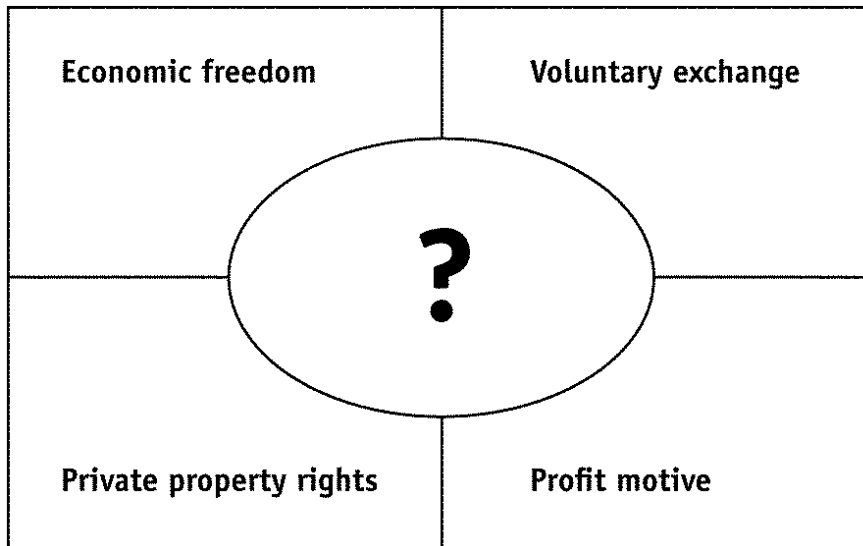
Identify the choice that best completes the statement or answers the question.

- ___ 1. Which group of people ultimately determines the products that a free enterprise economy produces?
a. Congress
b. property owners
c. local government
d. consumers
- ___ 2. The United States can best be described as having a
a. modified free enterprise system.
b. traditional system.
c. command economy.
d. pure free enterprise system.
- ___ 3. Who plays one of the most important roles in the free enterprise system by starting new businesses?
a. entrepreneurs
b. government
c. workers
d. consumers

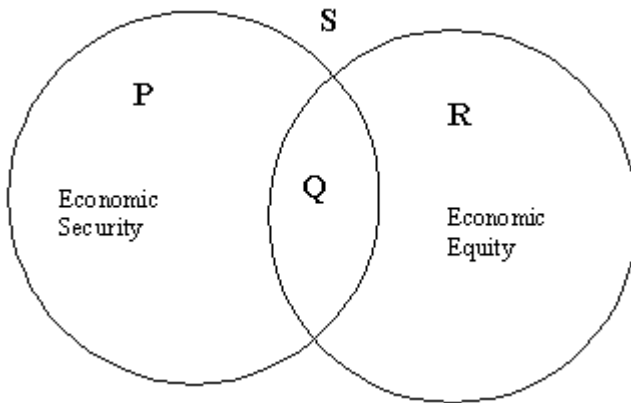
“[E]very individual, therefore, endeavours as much as he can [to direct his resources toward his own business] so that its produce may be of greatest value; every individual . . . neither intends to promote the public interest, nor knows how much he is promoting it. . . He intends only his own gain, and he is in this...led by an invisible hand to promote an end which was no part of his intention. . . By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.”

From Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nation, 1776.

- ___ 4. According to Adam Smith, what directs the choices business people make about how to use their resources?
a. government
b. economic equity
c. desire to benefit society
d. profit
- ___ 5. Which of the following is a characteristic of a traditional economy?
a. It discourages new ideas and new ways of doing things.
b. Public services are available at little or no cost.
c. It has a great deal of economic freedom.
d. It provides workers with few incentives to work hard.
- ___ 6. A market economy
a. does not provide for everyone's basic needs.
b. limits the choices of goods and services available.
c. permits extensive government intervention.
d. offers a high degree of certainty for its workers.
- ___ 7. The minimum wage is an example of a federal law that supports
a. economic growth.
b. economic equity.
c. full employment.
d. economic efficiency.
- ___ 8. Which economic system can change direction quickly and drastically?
a. traditional
b. command
c. market
d. mixed



- ___ 9. What important characteristic of free enterprise capitalism is missing from the diagram?
- a. communism
 - b. competition
 - c. inflation
 - d. economic equity



- ___ 10. Medicare provides health insurance for persons 65 or older. On the diagram, should this program be located in P, Q, R, or S?
- a. P
 - b. Q
 - c. R
 - d. S

Chapter 2 Practice Test Answer Section

MULTIPLE CHOICE

1. ANS: D PTS: 1 DIF: Easy
REF: Learn more about this question in Economics Principles and Practices, page 51.
2. ANS: A PTS: 1 DIF: Easy
REF: Learn more about this question in Economics Principles and Practices, page 53.
3. ANS: A PTS: 1 DIF: Easy
REF: Learn more about this question in Economics Principles and Practices, pages 50-51.
4. ANS: D PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 50.
5. ANS: A PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, pages 34-35.

6. ANS: A PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, pages 37-39
7. ANS: B PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 44
8. ANS: B PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, pages 35-37.
9. ANS: B PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 49.
10. ANS: A PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 45.