**DEPARTMENT ECONOMICS FINAL- Common Assessment**

\_\_\_\_\_ 1. Factors of production include which of the following?

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| a. | land, labor, and capital c. goods and services |
| b. | technology products and entrepreneurship d. all of the products produced in an economy |

\_\_\_\_ 2. The value of the next best alternative that has to be given up for the action that is chosen is the

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| a. | factor of production. b. trade-off. | c. | opportunity cost. d. productivity. |

\_\_\_\_ 13. Another term for a capitalist system is a

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| a. | command economy. | c. | mixed economy. |
| b. | market economy. | d. | laissez-faire system. |

\_\_\_\_ 14. According to Adam Smith,

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| a. | the role of the government is to allocate resources. |
| b. | government should not interfere in the marketplace. |
| c. | a mixed economy combines all of the benefits of a command and a market economy. |
| d. | left to themselves, individuals would mishandle the economy. |

\_\_\_\_ 16. It is easier to start your own business in a

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| a. | command economy. | c. | traditional economy. |
| b. | controlled economy. | d. | free enterprise system. |

\_\_\_\_ 18. In a capitalist system, most property is

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| a. | private property. | c. | regulated by the government. |
| b. | owned by the government. | d. | owned by banks. |

\_\_\_\_ 20. A laissez-faire system is one in which

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| a. | government controls the factors of production. |
| b. | individuals and the government make economic decisions. |
| c. | government interference in the economy is minimal. |
| d. | government purchases goods and services from consumers. |

\_\_\_\_ 21. What goods and services should be produced, how they should be produced, and who should share in what is produced are three basic questions addressed by

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| a. | market economies. | c. | mixed economies. |
| b. | command economies. | d. | all economies. |

\_\_\_\_ 25. According to the law of demand, when the price of an item goes up, the quantity demanded

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| a. | stays at the same level. b. rises. | c. | falls. d. adjusts |

\_\_\_\_ 26. According to the law of supply, higher prices prompt producers to

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| a. | increase demand. | c. | produce less. |
| b. | maintain current production. | d. | produce more. |

\_\_\_\_ 27. When the price of a good is too high for consumers, they look for

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| a. | inelastic demand. b. substitutes. | c. | inflation. d. luxury items. |

\_\_\_\_ 29. Diminishing marginal utility refers to the fact that

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| a. | demand declines as income falls. |
| b. | additional satisfaction declines as additional units of an item are consumed. |
| c. | people have unlimited needs. |
| d. | in equilibrium, supply equals demand.  \_\_\_\_ 39\_\_\_\_ The ability of one country, using the same quantity of resources as another country, to produce a specific product at a lower cost is known as   |  |  |  |  | | --- | --- | --- | --- | | a. | import advantage. | c. | absolute advantage. | | b. | export advantage. | d. | comparative advantage. |   \_\_\_\_ 41. A tariff is a   |  |  |  |  | | --- | --- | --- | --- | | a. | tax on exports. | c. | quota on imports. | | b. | quota on exports. | d. | tax on imports. | |

\_\_\_\_ 56. Marx believed that

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| a. | communism would eventually die out. |
| b. | workers would eventually unite and overthrow capitalism. |
| c. | workers and owners of production would unite to establish communism. |
| d. | capitalists would crush the proletariat. |

\_\_\_\_ 65. The most common characteristics of developing nations include rapid population growth, low literacy rates, and

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| a. | poor health conditions. | c. | well-defined property rights. |
| b. | stable governments. | d. | well-trained labor pools. |

\_\_\_\_ 74. One important reason why direct foreign investment in the United States is high is that

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| a. | the United States is politically stable. |
| b. | American companies are more profitable than companies located elsewhere. |
| c. | many people have dollars to invest. |
| d. | American companies are multinationals. |

\_\_\_\_ 93. If demand for a product is very elastic,

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| a. | quantity demanded will fall when the price rises. |
| b. | quantity demanded will remain largely unchanged when the price rises. |
| c. | quantity demanded will rise when the price rises. |
| d. | quantity demanded will not equal the quantity supplied. |

\_\_\_\_ 91. Making a trade-off involves

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| a. | making an opportunity cost choice. c. determining the value of the next best alternative |
| b. | sacrificing one product for another. d. explaining production possibilities. |