

Exam

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) The command system is also known as: 1) _____
A) market socialism. B) socialism or communism.
C) pure capitalism. D) the market system.

- 2) The economy of the former Soviet Union was best described as: 2) _____
A) mixed capitalism. B) a command economy.
C) authoritarian capitalism. D) market socialism.

- 3) The economy of North Korea most closely approximates: 3) _____
A) authoritarian capitalism B) market socialism
C) pure capitalism D) a command economy

- 4) Today, China's economy most closely approximates: 4) _____
A) authoritarian capitalism B) pure capitalism
C) market socialism D) a command economy

- 5) Which would not be characteristic of a capitalist economy? 5) _____
A) free enterprise and choice
B) government ownership of the means of production
C) reliance on the market system
D) competition and unrestricted markets

- 6) Which of the following statements best describes a mixed economy? 6) _____
A) In a mixed economy, society determines production and the allocation of goods and services only through the market system.
B) In a mixed economy, the role of individual self-interest is relatively unimportant because government makes most of the economic decisions.
C) In a mixed economy, government policies determine the production and the allocation of goods and services, but each individual is free to pursue his or her own self-interest.
D) In a mixed economy, the government and private sectors interact in determining production and allocation of goods and services.

- 7) The private ownership of property resources and use of prices to direct and coordinate economic activity is characteristic of: 7) _____
A) a market system. B) socialism.
C) communism. D) a command system.

- 8) In a capitalistic economy: 8) _____
A) there is a reliance on the market system.
B) markets can never be competitive.
C) the government owns the means of production.
D) consumers can never be sovereign.

- 9) The term "laissez faire" suggests that: 9) _____
A) government should not interfere with the operation of the economy.
B) government action is necessary if the economy is to achieve full employment and

full

production.

- C) land and other natural resources should be publicly owned, but capital equipment should be privately owned.
- D) land and other natural resources should be privately owned, but capital should be publicly owned.

- 10) The term "mixed economy" refers to an economy: 10) _____
- A) which engages in both domestic and international trade.
 - B) comprised of both extensive private markets and government involvement in the economy.
 - C) comprised of both product and resource markets.
 - D) which functions primarily on the basis of custom and tradition.
- 11) The Canadian economy most closely approximates: 11) _____
- A) market socialism
 - B) a command economy
 - C) mixed capitalism
 - D) authoritarian capitalism
- 12) Which of the following is unique to a market economy system? 12) _____
- A) the extensive use of capital goods
 - B) private ownership of property resources
 - C) the use of money
 - D) specialization
- 13) Property rights are important because they: 13) _____
- A) encourage investment and growth.
 - B) facilitate exchange.
 - C) are conducive to the writing of books and music.
 - D) do all of the above.
- 14) The market system is an economic system that: 14) _____
- A) produces more consumer goods than capital goods.
 - B) gives private individuals and institutions the right to own resources used in production.
 - C) gives the government the right to tax individuals and corporations for the production of capital goods.
 - D) produces more capital goods than consumer goods.
- 15) The market system is characterized by: 15) _____
- A) government control of all production decisions.
 - B) extensive government constraints on individual behaviour.
 - C) government rationing of all goods and services.
 - D) private ownership of the means of production.
- 16) In a market system, well-defined property rights are important because they: 16) _____
- A) limit destructive economic growth.
 - B) encourage economic activity.
 - C) create economic problems.
 - D) increase unnecessary investment.
- 17) Which is a major feature of the market system? 17) _____
- A) central planning by government to provide goods and services
 - B) price floors and price ceilings in all markets
 - C) reallocation of all resources from private to public uses

D) the right to own private property and control resource use

- 18) Which is a major feature of pure capitalism? 18) _____
A) reallocation of resources from private to public uses
B) central planning by government to provide goods and services
C) price floors and price ceilings in markets
D) the right to own private property and control resource use
- 19) By free enterprise, we mean that: 19) _____
A) individual producers determine how to produce, but government agencies determine what will be produced.
B) products are provided free to those who can't afford to buy them.
C) individuals may obtain resources, organize production, and sell the resulting output in any legal way they choose.
D) individuals are free to produce those products that government agencies determine can be produced profitably.
- 20) Which statement is correct? 20) _____
A) Freedom of choice and enterprise are essential elements of the market system.
B) The market system is efficient at allocation of resources, but not consumer goods to their most valued uses.
C) Producers are "kings" in a market economy because they determine what is produced.
D) The operation of a market system eventually results in an equal distribution of income.
- 21) Which is characteristic of the capitalistic ideology? 21) _____
A) government ownership of the means of production
B) unselfish individuals
C) centralized decision-making
D) free enterprise and choice
- 22) How do workers typically express self-interest? 22) _____
A) by seeking jobs with the best combination of wages and benefits
B) by seeking the highest price when purchasing a consumer product
C) by minimizing the economic losses of other business firms
D) by maximizing the economic profits of other business firms
- 23) Consumers express self-interest when they: 23) _____
A) seek the lowest price for the product. B) reduce business losses.
C) collect economic profits. D) search for jobs with the highest wage
- 24) Competition means that: 24) _____
A) there are large numbers of independently acting buyers and sellers in each market.
B) there is only one seller in a market.
C) sellers can cause artificial product scarcities and thereby manipulate market price.
D) a given product can be purchased at a number of different prices.
- 25) The competitive market system: 25) _____
A) discourages innovation because firms want to get all the profits possible from existing machinery and equipment.

- B) discourages innovation because it is difficult to acquire additional capital in the form of new machinery and equipment.
- C) encourages innovation because successful innovators are rewarded with economic profits.
- D) encourages innovation because government provides tax breaks and subsidies to those who develop new products or new productive techniques.
- 26) Competition is more likely to exist when: 26) _____
- A) products are produced by a few large firms.
 - B) the government purchases most goods and services.
 - C) there is a single supplier of all goods and services.
 - D) there is free entry into and exit out of industries.
- 27) Which condition will encourage competition? 27) _____
- A) government licensing requirements in order to enter an industry
 - B) the freedom of sellers and buyers to enter or exit an industry
 - C) a small number of buyers and sellers in a market
 - D) the government serving as the only supplier of goods to consumers
- 28) A purely competitive economy assumes the existence in each industry of a: 28) _____
- A) large number of small firms facing a few large buyers.
 - B) few large firms facing a large number of small buyers.
 - C) large number of small firms facing a large number of small buyers.
 - D) few small firms facing a few small buyers.
- 29) Competition denotes a condition where: 29) _____
- A) there are many independent buyers and sellers in a market.
 - B) there is only one seller in a market.
 - C) a given product can be purchased at a range of prices.
 - D) a few sellers attempt to garner a larger share of the market by cutting prices.
- 30) If competitive industry Y is incurring substantial losses, we can expect that output will: 30) _____
- A) expand, product price will fall, and losses will tend to disappear.
 - B) expand, product price will rise, and losses will tend to disappear.
 - C) contract, product price will fall, and losses will increase.
 - D) contract, product price will rise, and losses will tend to disappear.
- 31) Suppose industry A is realizing substantial economic profits. Which of the following best describes the adjustment process which would bring about a new equilibrium? 31) _____
- A) Firms will leave the industry, output will rise, and product price will fall.
 - B) Firms will enter the industry, output will rise, and product price will fall.
 - C) Firms will leave the industry, output will fall, and product price will rise.
 - D) Firms will enter the industry, output will rise, and product price will rise.
- 32) Which statement is correct? 32) _____
- A) Prices affect the distribution of goods in a market system but not the allocation of resources.
 - B) In a market system, buyers and sellers must be in face-to-face contact with each other.
 - C) The operation of a market system has little, if any, effect on the distribution of income in the economy.

D) In a market system, prices serve to ration goods and services to consumers.

- 33) A characteristic of the market system is: 33) _____
A) extensive use of barter. B) extensive use of capital goods.
C) low interest rates. D) extensive use of price controls.
- 34) The development of new technology and capital goods are essential elements for the market system. This is because: 34) _____
A) the most direct methods of production are more efficient.
B) the standard of living and development of new technology are inversely related.
C) more capital goods means less future consumption goods.
D) using more efficient production processes means more output for the economy.
- 35) The basic reason for the production of capital goods is to: 35) _____
A) enhance future productive efficiency.
B) promote the concentration of economic power in the business sector.
C) better synchronize the operation of resource and product markets.
D) facilitate exchange where a coincidence of wants does not exist.
- 36) The process in which workers select specialized tasks to make a product is referred to as: 36) _____
A) freedom of choice. B) division of labour.
C) a coincidence of wants. D) roundabout production.
- 37) The division of labour means that: 37) _____
A) labour markets are geographically segmented.
B) unskilled workers outnumber skilled workers.
C) each worker performs a large number of tasks.
D) workers specialize in various production tasks.
- 38) Specialization and trade are beneficial to society because: 38) _____
A) a division of labour lowers prices for products.
B) scarce resources are utilized more efficiently.
C) the output of economic goods may be increased with no increase in resources.
D) all of the above are correct.
- 39) Specialization in production is important primarily because it: 39) _____
A) allows society to have fewer capital goods.
B) results in greater total output.
C) allows society to avoid the coincidence-of-wants problem.
D) allows society to trade by barter.
- 40) The division of labour enhances productivity and efficiency by: 40) _____
A) allowing workers to develop skills by working on one, or a limited number, of tasks.
B) allowing workers to take advantage of existing differences in their abilities and skills.
C) avoiding the time loss involved in shifting from one production task to another.
D) all of the above means.
- 41) Specialization in production is economically beneficial primarily because it: 41) _____
A) guarantees full employment.

- B) facilitates trade by bartering.
- C) permits the production of a larger output with fixed amounts of resources.
- D) allows everyone to have a job which they like.

- 42) The use of money for exchange: 42) _____
- A) encourages more specialization in production.
 - B) increases the use of barter.
 - C) reduces consumer sovereignty.
 - D) decreases the coincidence of wants.
- 43) Which is the main problem with the barter system of exchange? Barter: 43) _____
- A) requires a coincidence of wants.
 - B) fosters specialization and division of labour.
 - C) encourages self-interest and selfishness.
 - D) undermines the right to bequeath.
- 44) _____ helps avoid the problems posed by the lack of double coincidence of wants. 44) _____
- A) Barter
 - B) Freedom of choice
 - C) Trade
 - D) Money
- 45) Consider a barter situation where you have pens and you want pencils. To achieve your objective there must be a(n): 45) _____
- A) coincidence of wants.
 - B) entry and exit from the market.
 - C) large number of sellers.
 - D) use of capital goods.
- 46) On the basis of the information provided it can be said that: 46) _____
- A) no coincidence of wants exists between any two provinces.
 - B) a coincidence of wants exists between Ontario and Alberta.
 - C) a coincidence of wants exists between British Columbia and Ontario.
 - D) a coincidence of wants exists between British Columbia and Alberta.
- 47) On the basis of the information provided and assuming trade occurs between the three provinces we can expect: 47) _____
- A) Alberta to exchange apples with British Columbia and receive money in return.
 - B) Ontario to exchange lettuce with British Columbia and receive autos in return.
 - C) Alberta to exchange apples with Ontario and receive money in return.
 - D) none of the above to occur.
- 48) Given the information provided and assuming trade does occur between the provinces, we can expect: 48) _____
- A) that money will not be needed to accomplish the desired exchanges.
 - B) that there is no means by which British Columbia can obtain lettuce while specializing in the production of autos.
 - C) money to flow clockwise from British Columbia to Alberta to Ontario.
 - D) money to flow counterclockwise from British Columbia to Ontario to Alberta.
- 49) Which is assumed to be most limited in scope under a market system? 49) _____
- A) competition
 - B) freedom of enterprise
 - C) freedom of choice
 - D) government
- 50) Which of the following is not a part of a market system? 50) _____

- A) private property
- B) freedom of enterprise and choice
- C) government determination of basic economic goals
- D) competition in product and resource markets

- 51) The most important consequence of property rights is that _____
- A) allow for freedom of choice.
 - B) they facilitate exchange.
 - C) they allow for a division of labour.
 - D) they encourage people to cooperate by helping to ensure that only mutually agreeable economic transactions take place.
- 52) Which is not one of the Five Fundamental Questions? _____
- A) What goods and services should be produced by government?
 - B) Who will get the goods and services?
 - C) How will the system accommodate change?
 - D) How will the goods and services be produced?
- 53) What to produce in a market economy is ultimately determined by the: _____
- A) workers' technical skills. B) output decisions of business firms.
 - C) spending decisions of households. D) government.
- 54) "Consumer sovereignty" refers to the: _____
- A) fact that a federal agency exists to protect consumers from harmful and defective products.
 - B) fact that resource prices tend to be high relative to product prices in capitalistic economies.
 - C) idea that the pursuit of self-interest will prove ultimately to be in the public interest.
 - D) notion that the decisions of producers and resource suppliers with respect to the kinds and amounts of goods produced must be appropriate to consumer demands.
- 55) The term consumer sovereignty means that: _____
- A) what is produced is ultimately determined by what consumers buy.
 - B) businesses produce with consumer satisfaction as their primary goal.
 - C) there are no limits on what consumers may buy under capitalism.
 - D) consumers are controlled by the actions of the marketplace.
- 56) The market system is said to be characterized by "consumer sovereignty." This is because: _____
- A) of the role of consumers in determining what goods are produced.
 - B) the prices of consumer goods are regulated by government.
 - C) consumer goods are more profitable than investment goods.
 - D) a large number of consumer goods are produced.
- 57) "The 'dollar votes' of consumers ultimately determine the composition of output and the allocation of resources in a market economy." This statement best describes the concept of: _____
- A) the invisible hand. B) derived demand.
 - C) consumer sovereignty. D) external costs and benefits.
- 58) The term dollar votes means: _____

- A) voters may be offered dollars to help elect certain political candidates.
- B) consumers "vote" for certain products to be produced by how they spend their incomes.
- C) government is responsible for determining what will be considered legal tender.
- D) inflation will occur if consumers don't spend wisely.

- 59) Consumer sovereignty and "dollar votes" are most related to which fundamental question about a competitive market system? 59) _____
- A) How is the output to be produced?
 - B) How can the system accommodate change?
 - C) What will be produced?
 - D) Who is to receive the output?
- 60) Economic efficiency would be primarily discussed in response to which of the fundamental questions about a competitive market economy? 60) _____
- A) Who is to receive the output?
 - B) How will the goods and services be produced?
 - C) How will the system accommodate change?
 - D) What will be produced?
- 61) Which fundamental question about a competitive market system primarily focuses on the cost of producing the good and services? 61) _____
- A) What will be produced?
 - B) How will the system accommodate change?
 - C) Who is to receive the output?
 - D) How will the goods and services be produced?
- 62) The issues of distribution of goods and services and incomes in a competitive market system are the primary topic of which fundamental question? 62) _____
- A) Who is to receive the output?
 - B) What will be produced?
 - C) How will the system accommodate change?
 - D) How will the goods and services be produced?
- 63) In the market system, the statement of "Wages, interest, rent, and profit are crucial determinants of the size of each person's income." is an indication of: 63) _____
- A) What will be produced?
 - B) How will the system accommodate change?
 - C) How will the goods and services be produced?
 - D) Who will get the output?
- 64) For whom is a given mix of goods and services to be produced? How, in other words, is the product to be distributed among people when such commodities and services are available? In a market economy, this problem is resolved primarily in the: 64) _____
- A) private sector through the earning and spending of income.
 - B) business sector through the mechanism of advertising.
 - C) money market through borrowing and saving by households and businesses.
 - D) public sector through the mechanism of central planning.
- 65) In a market economy the distribution of income would be determined primarily by 65) _____
- A) government regulations which provide a minimum income for all.

- B) the quantities and prices of the resources which households supply.
- C) consumer needs and preferences.
- D) a social consensus as to what distribution of income is most equitable.

- 66) Which fundamental question about a competitive market system primarily focuses on technological progress and capital accumulation? 66) _____
- A) How will the goods and services be produced?
 - B) What will be produced?
 - C) How will the system accommodate change?
 - D) Who is to receive the output?
- 67) If an increase occurs in the demand for product X, we would expect all of the following to occur except: 67) _____
- A) an increase in the output of industry X.
 - B) an increase in the profits of industry X.
 - C) a decrease in the prices of resources employed in industry X.
 - D) an increase in the demand for resources employed by industry X.
- 68) An increase in demand for strawberries is most likely to: 68) _____
- A) reduce the supply of strawberry pickers.
 - B) reduce the supply of strawberries.
 - C) reduce the demand for strawberry pickers.
 - D) increase the demand for strawberry pickers.
- 69) The market system communicates changes in supply and demand and elicits appropriate responses from businesses and resource suppliers. This is known as the: 69) _____
- A) rationing function of prices.
 - B) monetary function of prices.
 - C) circular flow of income.
 - D) guiding function of prices.
- 70) Which of the following best describes the "guiding function" of competitive prices? 70) _____
- A) The market system can negotiate reallocations of resources which are appropriate to changes in consumer tastes, technology, and resource supplies.
 - B) When prices are in equilibrium, product shortages or surpluses cannot occur.
 - C) The market system will always generate economic profits for firms which use the least costly production technology.
 - D) Profitable industries tend to contract and unprofitable industries tend to expand.
- 71) Assume the demand for product Y increases and the subsequent market system responses result in the production of more Y. This illustrates: 71) _____
- A) the directing or guiding function of prices.
 - B) that consumer sovereignty is inoperative in this economy.
 - C) the scarcity function of prices.
 - D) that the concept of derived demand is inapplicable.
- 72) Which statement accurately summarizes the relationship between the prices of goods and their relative scarcity? 72) _____
- A) The price of a good is independent of the relative scarcity of the good.
 - B) High prices lead to greater relative scarcity.
 - C) The price of a good is a direct function of the relative scarcity of the good.
 - D) The price of a good is an inverse function of the relative scarcity of the good.

- 73) The most efficient combination of resources in producing any output is that combination which: 73) _____
- A) conserves most on the use of labour.
 - B) can be obtained for the smallest money outlay.
 - C) uses the smallest total quantity of all resources.
 - D) comes closest to using the same quantities of land, labour, capital, and entrepreneurial ability.
- 74) The development of the Internet and e-mail to replace regular mail services in many cases would be an example of: 74) _____
- A) creative destruction.
 - B) derived demand.
 - C) specialization.
 - D) roundabout production.
- 75) The development of MP3 players that significantly reduce the market for CDs and DVDs would be an example of: 75) _____
- A) roundabout production.
 - B) specialization.
 - C) derived demand.
 - D) creative destruction.
- 76) Which of the following best describes the "invisible hand" concept? 76) _____
- A) The desires of resource suppliers and producers to further their own self-interest will automatically further the public interest.
 - B) Mixed capitalism is the best system for overcoming the scarce resources-unlimited wants problem.
 - C) The nonsubstitutability of resources gives rise to a conflict between private and public interests and the need for government intervention.
 - D) Central direction by the government will improve resource allocation in a capitalistic economy.
- 77) The "invisible hand" concept suggests that: 77) _____
- A) profit maximization is inconsistent with an efficient allocation of resources.
 - B) when firms maximize their profits, society's domestic output will also be maximized.
 - C) government action is necessary to correct for market failures.
 - D) changes in product demands are only randomly reflected in changes in the demands for resources.
- 78) The "invisible hand" concept suggests that: 78) _____
- A) market failures imply the need for a national economic plan.
 - B) big businesses are inherently more efficient than small businesses.
 - C) given competition, private and public interests will tend to coincide.
 - D) the competitiveness of a capitalistic market economy invariably diminishes over time.
- 79) The "invisible hand" refers to the: 79) _____
- A) fact that government controls the functioning of the market system.
 - B) notion that, under competition, decisions motivated by self-interest promote the social interest.
 - C) tendency of monopolistic sellers to raise prices above competitive levels.
 - D) fact that our tax system redistributes income from rich to poor.
- 80) The idea that the desires of resource suppliers and producers to further their own self-intere

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- A) consumer sovereignty.
- B) derived demand.
- C) the invisible hand.
- D) profit maximization.

81) The idea that firms and resource suppliers in seeking to further their own self-interests in a competitive market economy also simultaneously promotes the public or social interest is a description of: 81) _____

- A) the "invisible hand."
- B) the guiding function of prices.
- C) dollar votes.
- D) capital accumulation.

82) While in market economies the profit depends on consumer demand, production production efficiency, and product quality, for command economies profit depends on: 82) _____

- A) quantitative production target.
- B) product mix.
- C) product differentiation.
- D) production cost.

83) The coordination problem in command economies became more difficult as: 83) _____

- A) the number of industries expanded.
- B) planning techniques improved.
- C) less quantitative targets were assigned to each industry.
- D) production cost decreased.

84) As opposed to the market system, in command economies: 84) _____

- A) meeting the production targets are extremely important.
- B) the reward for innovation is extensive.
- C) the reward for innovation does not exist.
- D) the profit motives are extremely high.

85) In the factor market: 85) _____

- A) households sell resources to businesses.
- B) businesses sell services to households.
- C) businesses borrow money capital from households.
- D) firms sell raw materials to households.

86) The simple circular flow model shows that: 86) _____

- A) businesses are on the demand side of the product market and on the supply side of the factor market.
- B) businesses are on the supply side of both product and factor markets.
- C) households are on the demand side of both product and factor markets.
- D) households are on the supply side of the factor market and on the demand side of the product market.

87) The two basic markets shown by the simple circular flow model are: 87) _____

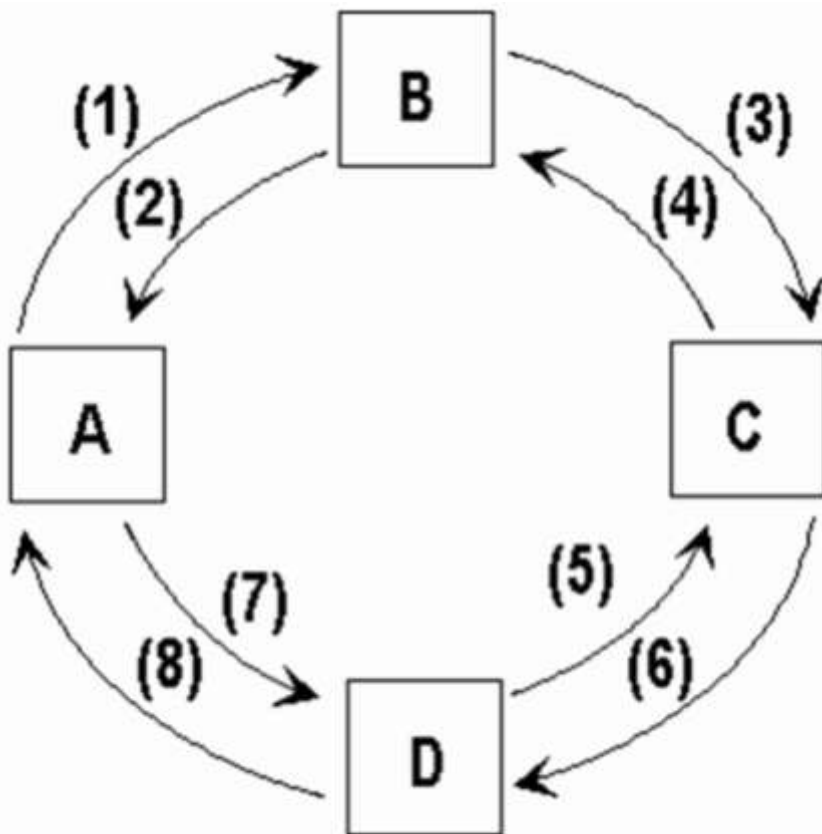
- A) product and factor.
- C) free and controlled.

- B) household and business.
- D) capital goods and consumer goods.

88) In the simple circular flow model: 88) _____
 A) households are demanders of factors of production.
 B) there are real flows of goods, services, and factors, but not money flows.
 C) households are suppliers of final products.
 D) businesses are suppliers of final products.

89) Households and businesses are: 89) _____
 A) both suppliers in the product market.
 B) suppliers in the product and factor markets respectively.
 C) suppliers in the factor and product markets respectively.
 D) both buyers in the factor market.

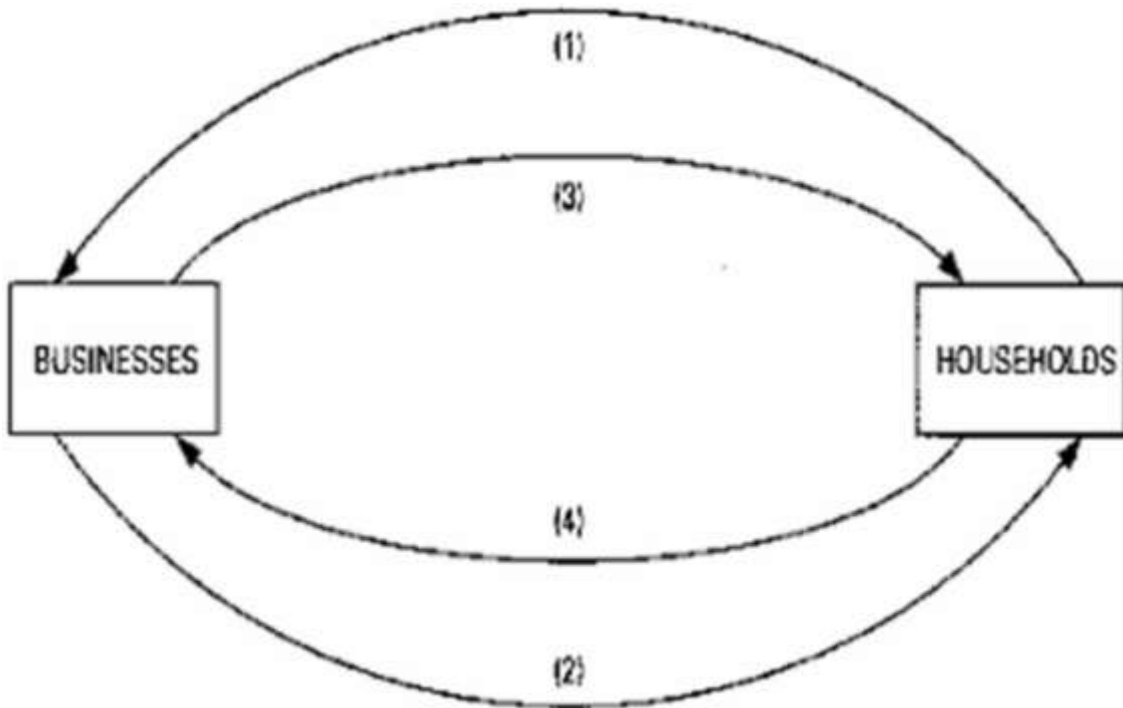
90) In the circular flow model: 90) _____
 A) households receive income through the factor market.
 B) households spend income in the product market.
 C) households supply factors of production to firms.
 D) all of the above hold true.



91) Refer to the figure. If box B represents the factor market and flow (3) represents money 91) _____
 income, then:
 A) box D is the product market and box C is households.
 B) box C is the product market and box A is households.
 C) box A is the product market and box C is households.
 D) box C is the product market and box D is households.

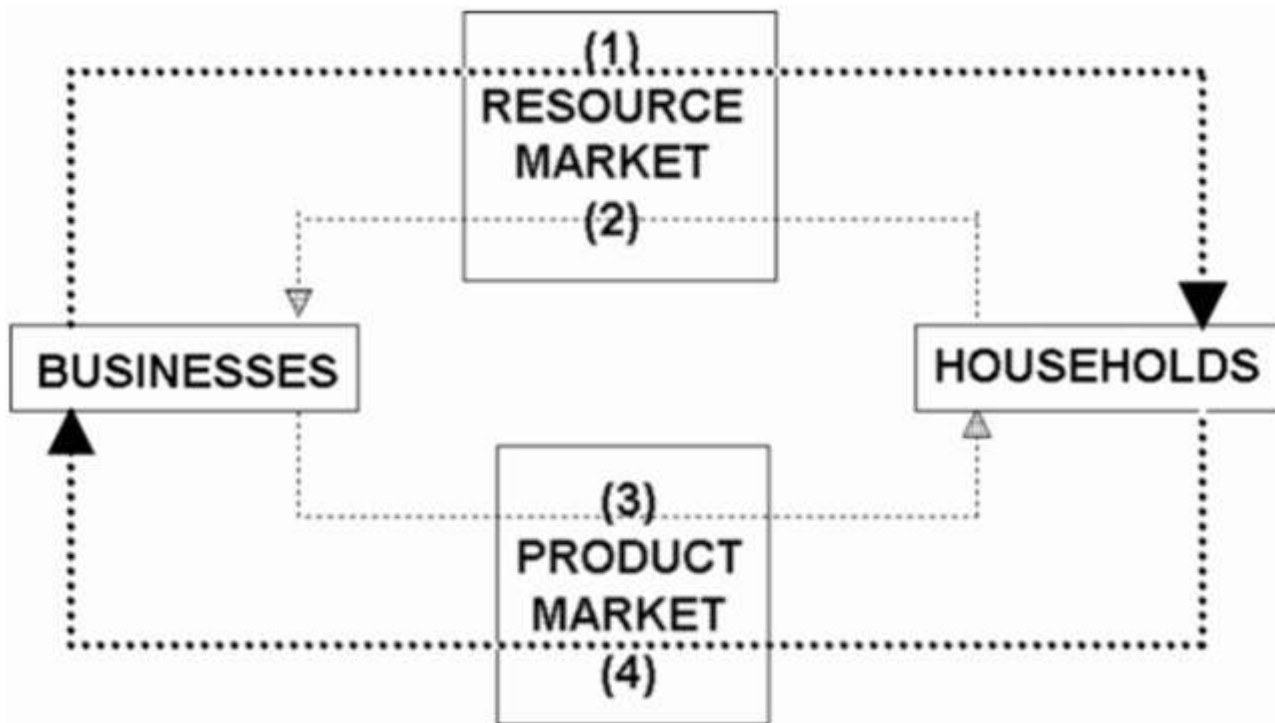
- 92) Refer to the figure. If box A represents businesses and flow (7) represents goods and services, then: 92) _____
- A) box D is the product market and box B is the factor market.
 - B) box D is the product market and box B is households.
 - C) box C is the product market and box B is the factor market.
 - D) box B is the product market and box C is households.

- 93) In terms of the circular flow diagram businesses obtain revenue through the _____ market and make expenditures in the _____ market. 93) _____
- A) product; factor
 - B) factor; product
 - C) product; financial
 - D) capital; product



- 94) Refer to the diagram. Arrows (1) and (2) represent: 94) _____
- A) resources and goods respectively.
 - B) output and money incomes respectively.
 - C) goods and resources respectively.
 - D) money incomes and output respectively.

- 95) Refer to the diagram. Arrows (3) and (4) represent: 95) _____
- A) consumer expenditures and money income respectively.
 - B) money incomes and consumer expenditures respectively.
 - C) resources and goods respectively.
 - D) goods and services respectively.



- 96) Refer to the circular flow model of the economy. In the diagram flow (1) represents: 96) _____
 A) goods and services.
 B) land, labour, capital, and entrepreneurial ability.
 C) consumer expenditures.
 D) wage, rent, interest, and profit income.
- 97) Refer to the circular flow model of the economy. In the diagram flow (2) represents: 97) _____
 A) goods and services.
 B) wage, rent, interest, and profit income.
 C) land, labour, capital, and entrepreneurial ability.
 D) consumer expenditures.
- 98) Refer to the circular flow model of the economy. In the diagram flow (3) represents: 98) _____
 A) goods and services.
 B) consumer expenditures.
 C) wage, rent, interest, and profit income.
 D) land, labour, capital, and entrepreneurial ability.
- 99) Refer to the circular flow model of the economy. In the diagram flow (4) represents: 99) _____
 A) wage, rent, interest, and profit income.
 B) goods and services.
 C) consumer expenditures.
 D) land, labour, capital, and entrepreneurial ability.
- 100) In terms of the circular flow diagram households make expenditures in the _____ market and receive income through the _____ market. 100) _____
 A) capital; product
 B) product; factor
 C) factor; product
 D) product; financial

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 101) Specialization may be conducive to an expansion of total output even though the individual

s 101)
involved
may
have
identical
abilities.

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- 102) A division of labour enhances society's output by permitting people to take advantage of existing differences in their abilities and skills. 102) ____
- 103) Money functions as a medium of exchange in permitting the ready comparison of the relative worth of heterogeneous products. 103) ____
- 104) Government alters the distribution of income by market intervention, in which case it modifies the prices established by market forces. 104) ____
- 105) Property rights do not encourage people to cooperate. 105) ____
- 106) Consumer sovereignty means that legislation now protects the rights of consumers to dispose of their incomes as they see fit. 106) ____
- 107) The wants of consumers are expressed on the demand side of the product market. 107) ____
- 108) The guiding function of prices indicates that, at equilibrium prices, neither product surpluses nor shortages can occur. 108) ____
- 109) The "invisible hand" refers to the many indirect controls which the federal government imposes in a system of mixed capitalism. 109) ____
- 110) In a competitive market economy, firms and resource suppliers will seek to further their own self-interest, but at the same time, as if guided by an "invisible hand," they will promote the public interest. 110) ____
- 111) In the simple circular flow model businesses are suppliers of final products. 111) ____
- 112) Households and businesses are both suppliers in the product market. 112) ____

- 1) B
- 2) B
- 3) D
- 4) C
- 5) B
- 6) D
- 7) A
- 8) A
- 9) A
- 10) B
- 11) C
- 12) B
- 13) D
- 14) B
- 15) D
- 16) B
- 17) D
- 18) D
- 19) C
- 20) A
- 21) D
- 22) A
- 23) A
- 24) A
- 25) C
- 26) D
- 27) B
- 28) C
- 29) A
- 30) D
- 31) B
- 32) D
- 33) B
- 34) D
- 35) A
- 36) B
- 37) D
- 38) D
- 39) B
- 40) D
- 41) C
- 42) A
- 43) A
- 44) D
- 45) A
- 46) A
- 47) C
- 48) D
- 49) D
- 50) C
- 51) D

- 52) A
- 53) C
- 54) D
- 55) A
- 56) A
- 57) C
- 58) B
- 59) C
- 60) B
- 61) D
- 62) A
- 63) D
- 64) A
- 65) B
- 66) C
- 67) C
- 68) D
- 69) D
- 70) A
- 71) A
- 72) C
- 73) B
- 74) A
- 75) D
- 76) A
- 77) B
- 78) C
- 79) B
- 80) C
- 81) A
- 82) A
- 83) A
- 84) C
- 85) A
- 86) D
- 87) A
- 88) D
- 89) C
- 90) D
- 91) A
- 92) A
- 93) A
- 94) A
- 95) B
- 96) D
- 97) C
- 98) A
- 99) C
- 100) B
- 101) TRUE
- 102) TRUE
- 103) TRUE

- 104) TRUE
- 105) FALSE
- 106) FALSE
- 107) TRUE
- 108) TRUE
- 109) FALSE
- 110) TRUE
- 111) TRUE
- 112) FALSE