Sample Test: US Economic System

1. Under which economic system would factors of production most likely be owned by a government?
   a. market economy
   b. command economy
   c. traditional economy
   d. mixed economy

2. In a command economy, how are the prices of goods and services determined?
   a. market forces of supply and demand
   b. the central government
   c. independent agencies and independent regulators
   d. business owners

3. Which statement best describes the difference between a market economy and a traditional economy?
   a. in a market economy, decisions are based on custom
   b. in a traditional economy, decisions are based solely on supply and demand
   c. in a traditional economy, decisions are based on habit and custom
   d. in a market economy, decisions are based on habit

4. Who is primarily responsible for making economic decisions in a market economy?
   a. the central government
   b. big business
   c. market regulators
   d. individuals

5. The United States economy can best be described as which type of economy?
   a. market economy
   b. command economy
   c. traditional economy
   d. mixed economy

6. Which term is used to describe a situation where the majority of people looking for work find a job?
   a. full employment
   b. structural employment
   c. underemployment
   d. seasonal employment
7. Which term is used to describe an owner’s exclusive right to control, publish, and sell an original work?
   a. private property
   b. copyright
   c. intellectual property
   d. commerce right

8. What type of exchange is described as buyers and sellers freely and willingly engage in market transactions?
   a. voluntary exchange
   b. coerced exchange
   c. governmental exchange
   d. command exchange

9. What is the primary benefit of the division of labor?
   a. decreasing productivity
   b. increasing profit
   c. increasing productivity
   d. decreasing revenue

10. Which of the following best describes specialization?
    a. a consumer chooses an alternative good that has the greatest value
    b. a company competes for profit with minimum government interference
    c. a job is broken down into separate, smaller tasks
    d. a business, region, or country concentrates on goods or services they can produce better than anyone else

11. Because of specialization, Country A relies on Country B to provide goods and services consumed in Country C. Which term is used to describe this scenario?
    a. economic interdependence
    b. specialization
    c. competition
    d. economic cycle

12. What is the income that a consumer has left after taxes and living expenses have been paid?
    a. wages
    b. salary
    c. personal income
    d. disposable income
13. Which type of good is a competing product that consumers can use in place of another?
   a. complementary good
   b. substitute good
   c. disposable good
   d. exchange good

14. Which of the following is the best example of complementary goods?
   a. computers and software
   b. lamps and computers
   c. computers and gasoline
   d. software and lamps

15. Which term refers to the desire, willingness, and ability to buy a good or service?
   a. demand
   b. supply
   c. utility
   d. price

16. With each slice of pizza you eat, you become less hungry and therefore receive less satisfaction. What law does this scenario best represent?
   a. law of supply
   b. law of demand
   c. law of diminishing marginal returns
   d. law of substitute goods

17. Which of the following changes is less likely to have an affect on demand?
   a. a change in the number of consumers
   b. a change in profit
   c. a change in consumers’ income
   d. a change in consumers’ tastes

18. Which statement about the effects of the law of demand is most accurate?
   a. When prices decrease, quantity demanded increases
   b. When prices decrease, quantity demanded stays the same
   c. When prices decrease, quantity demanded decreases
   d. When prices decrease, quantity demanded causes prices to decrease further

19. Which term is used to describe the extent to which a change in price causes a change in the quantity demanded?
   a. supply elasticity
   b. marginal utility
   c. diminishing returns
   d. demand elasticity
20. The government cuts taxes, hoping that having more money will result in people buying more goods and services. Which term best describes this type of policy?
   a. monetary policy  
   b. fiscal policy  
   c. labor policy  
   d. income policy

21. What is the government most likely to use to keep track of inflation?
   a. unemployment rate  
   b. civilian labor force  
   c. consumer price index  
   d. stock market

22. Which of the following is a correct statement about monopolies?
   a. monopolies promote competition among companies producing similar goods  
   b. monopolies occur when a company pulls a product off the market because it may be unsafe  
   c. monopolies occur when a market becomes controlled by a single provider of a good or service  
   d. monopolies occur when a company agrees to be regulated by the government

23. What term describes two or more companies forming a single business?
   a. antitrust  
   b. monopoly  
   c. oligopoly  
   d. merger
Answer Key

1. B
2. B
3. C
4. D
5. D
6. A
7. B
8. A
9. C
10. D
11. A
12. D
13. B
14. A
15. A
16. C
17. B
18. A
19. D
20. B
21. C
22. C
23. D