**Study Guide EOCT Questions:**

**The study of how individuals, firms (businesses), and nations can best allocate their limited resources is called:**

A economics

B entrepreneurship

C scarcity calculation

D government regulation

**The act of giving up one thing of value to gain another thing of value is called a/an**

A opportunity cost

B profit

C marginal cost

D tradeoff

**Bill wants to buy a shirt for $45 and a hat for $20. However, he only has $50. If he buys the shirt, then his opportunity cost will be**

A the cost of the shirt

B the cost of the hat

C the enjoyment he would have gotten from the hat

D how comfortable he will feel in the shirt

**In every economic system, choices must be made because resources**

**A** are unlimited, but human desires and wants are limited.

**B** are limited, but human desires and wants are unlimited.

**C** are unlimited, and so are human desires and wants.

**D** are limited, and so are human desires and wants.

**The fundamental economic problem that arises because society does not have enough resources to satisfy the wants and needs of people is**

**A** Capital

**B** Specialization

**C** Paradox of Value

**D** Scarcity

**Who described economic principles in The Wealth of Nations?**

**A** Isaac Newton

**B** William Romanov

**C** Adam Smith

**D**  Karl Marx

**Which of the following is NOT one of the four major factors of production?**

**A** Land

**B** Capital

**C** Demand

**D** Labor

**Each of the following is a general economic goal EXCEPT**

**A** economic efficiency

**B**  economic equity

**C** full employment

**D** inflation

**An individual decides to pay $25 to play golf instead of buying a $25 video game. What is the opportunity cost of playing golf?**

**A**  the satisfaction missed by not buying the game

**B** The $25 paid to play golf

**C** the time spent playing golf

**D** The satisfaction received by playing golf

**The payments for land, labor, capital, and entrepreneurial ability respectively are**

**A** rent, profit, wages, and interest

**B**  Profits, wages, interest, and rent

**C** Rent, wages, interest, and profit

**D** Wages, rent, profit, and interest

**Trees, minerals, and the real estate on which a company builds its main manufacturing center are all**

A capital goods

B capital investments

C land

D entrepreneurship

**Following a massive hurricane that hits Georgia’s northern coast, residents have no running water or electricity. As a result, citizens buy up all the flashlights and bottled water in the area faster than producers can resupply them. What problem do people on the Georgia coast now face, regarding flashlights and bottled water?**

A excessive regulation

B scarcity

C rationing

D incomplete tradeoffs

**Which of the following tends to make economics more efficient?**

A specialization

B government ownership of property

C income redistribution

D Regulations aimed at economic equity

**Diminishing marginal utility refers to**

**A** the quantity of goods and services for sale in relationship to the price.

**B** the amount of a good or service that businesses are willing and able to provide.

**C** the effect of a change in price on supply and demand.

**D** when consumers get more and more of a given good, they are less eager to buy additional units even if the price is low.

**The extra cost incurred by producing one additional unit of a product is called**

**A** total cost

**B** variable cost

**C**  marginal cost

**D** fixed cost

**Which quantity is the profit-maximizing quantity of output?**

**A** the break-even point

**B** the point at which marginal revenue exceeds marginal cost

**C** the point at which marginal revenue equals marginal cost

**D** the point at which marginal revenue is less than marginal cost

**Jamie must make an economic decision. He must choose whether or not to buy a new truck. After considering all the options, he concludes that the marginal costs of the truck are greater than the marginal benefits. In Jamie’s case, buying the truck would be**

A a rational economic decision

B an irrational economic decision

C an opportunity cost

D a productive choice

**Kim works on an automobile assembly line. Kim’s job illustrates a production process that relies on**

**A** autonomous work groups

**B** team decision making

**C** quality circles

**D** division of labor

**Martha owns her own company. She invests in all the capital goods needed to make her product and sells her goods with the motivation of making huge profits. So long as she does not produce anything illegal, Martha freely chooses what to produce and consumers freely choose whether or not to buy her product. It sounds like Martha’s company operates in a**

A command economy

B market economy

C traditional economy

D economy based on equity

**The greater the profit motive in an economic system, the greater the likelihood of**

A innovation

B equity

C security

D government controlling the factors of production

**A command economy is an economic system in which**

A the government owns much of the property

B individual property rights are very important

C consumer demand determines what will be produced

D profit motive is the main motivation for producers

**Which of the following is a strength of a market economy?**

A guaranteed equity

B guaranteed employment

C opportunity for profit

D lots of government regulation to ensure that no one has too little or too much

**Under capitalism, the means of production are owned by**

**A** Private Citizens and businesses

**B**  National and State governments

**C** State and local governments

**D** Workers and Unions

**Which of the following has the greatest degree of government involvement in the economy?**

**A** Traditional system

**B** Capitalist system

**C** Communist system

**D** Socialist system

**All of the following are major disadvantages to communism EXCEPT**

**A** fear of unemployment

**B**  few individual freedoms

**C**  little incentive to innovate and produce

**D** inefficient centralized planning

**The person who wrote the Communist Manifestoand Das Kapital**

**A** Vladimir Lenin

**B**  Karl Marx

**C** Joseph Stalin

**D** Boris Yeltsin

**In a laissez-Faire system, government**

**A** is a large part of the economy

**B** controls a large number of public goods

**C** has a minimum role in the economy

**D** is the economy

**Each of the following is a role of government in capitalism EXCEPT**

**A** controller

**B**  provider

**C** regulator

**D** consumer

**Higher prices and government regulation are both strategies for**

A increasing consumption

B Encouraging economic equity

C Dealing with scarcity

D Aiding entrepreneurship

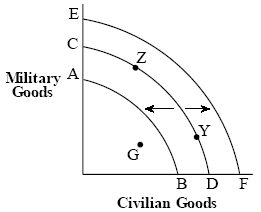
**Common ways the government might try to regulate a mixed-market economy include**

A deregulation

B forbidding any private ownership of property

C imposing tariffs or subsidies

D lifting environmental restrictions



**If CD represents the current production possibility curve, indicate which two letters you would choose if huge amounts of resources were discovered along with technological innovations in both sectors of the economy.**

**A** Curve AB

**B** Curve EF

**C** Curve ZY

**D** Curve YD

**The rate at which goods and services can be produced is called**

A capital investment

B productivity

C producer price output

D human capital

**If a factory owner uses some of her profits to purchase new machinery, she is investing in**

A human capital

B the producer price index

C output returns

D capital goods

**Buying stocks, purchasing new equipment for a business, paying for employees training, and purchasing the latest computers for one’s office are all examples of**

A opportunity costs

B economic outputs

C productivity

D investment

**Which of the following is an example of investing in human capital?**

A buying a new company truck

B an employee asking for a raise

C paying for an employee’s health insurance

D requiring employees to document what they are doing at work

**The three major actors in terms of government activity are**

A governments, businesses, and producers

B households, individuals, and the stock market

C households, businesses, and the government

D leaders, people, and firms

**When factors of production perform tasks that they can do relatively more efficiently than others, it is known as**

**A** capitalization

**B** specialization

**C** privatization

**D** collectivization

**A market where productive resources are bought and sold is a**

**A** Factor Market

**B**  Product Market

**C**  Labor Market

**D**  Consumer Market

**A good that lasts for more than 3 years is**

**A** Non-Durable Good

**B** Long Lasting Good

**C** Service

**D** Durable Good

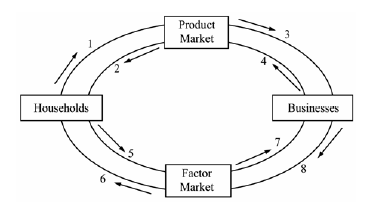
**Microeconomics focuses on**

**A** the workings of the whole economy

**B** issues such as inflation and unemployment

**C** total output and the general level of prices

**D** the individual units that make up the whole economy



**The flow of goods and services to consumers is best represented by?**

**A** 8 to 6

**B** 5 to 7

**C** 1 to 3   
 **D** 4 to 2

**The law of demand states that, other things being equal,**

**A** the higher the price of a good, the lower the quantity demanded

**B** the higher the price of a good, the lower the quantity supplied

**C** price and quantity supplied are positively related

**D** as income increases, willingness to pay for the last unit increases

**All of the following are reasons for changes in demand EXCEPT**

**A** consumers tastes and preferences

**B** an increase in the supply curve

**C** the price of substitutes or compliments

**D** a change in the number of consumers

For the next four questions, decide if a **change in demand**, a **change in quantity demanded**, a change **in supply**, or a **change in quantity supplied** will occur.

**Cell phones are partially made from plastic. The price of plastic decreases and cell phone companies are able to produce more phones.**

**A** Change in demand

**B** Change in quantity demanded

**C** Change in supply

**D** Change in quantity supplied

**Tiger Woods is seen wearing a certain brand of sunglasses and sales take a huge jump.**

**A** Change in demand

**B** Change in quantity demanded

**C** Change in supply

**D** Change in quantity supplied

**The price of televisions falls drastically, and people buy more televisions.**

**A** Change in demand

**B** Change in quantity demanded

**C**  Change in Supply

**D** Change in quantity supplied

**The wage at a local chemical factory increases from $12/hr to $14/hr, and workers work longer hours**

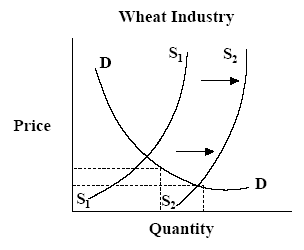
**A** Change in demand

**B** Change in quantity demanded

**C** Change in supply

**D** Change in quantity supplied

**Use following graph to answer the following two questions**



**Of the following, which situation would cause the shift of the supply curve from S1 to S2?**

**A** The government increases regulation of the wheat industry

**B** New fertilizers increase the production of wheat

**C** Firms exit the wheat industry

**D** Drought reduces wheat output by 25%

**What would happen to the equilibrium price and quantity for wheat when the supply curve shifts from S1 to S2?**

**A** Price increases, Quantity decreases

**B** Price decreases, Quantity decreases

**C** Price increases, Quantity increases

**D** Price decreases, Quantity increases

**When economists refer to “demand,” they mean which of the following?**

**A** how much satisfaction buyers receive from a purchase

**B** how much consumers will purchase at different prices

**C** how much sellers will supply at a particular price

**D** how much people want the product if it is free

**Which of the following is an attempt by a firm to increase the demand for its product**

**A** the imposition of a price ceiling on the product

**B** an advertising strategy designed to change consumer tastes and preferences

**C** a marketing strategy to make the good scarce and therefore more expensive

**D** a production strategy to flood the market with the good or service

**Demand is measured not only by consumer desire for a product, but also by**

**A** competition for the consumer

**B**  demand for all similar products

**C**  opportunity costs

**D** ability and willingness to buy the product

**If the demand for any product increases what will happen to the equilibrium quantity for that product?**

**A** Increase

**B** Decrease

**C** Stay the same

**D** Not enough information

**If the supply for any product decreases what will happen to the equilibrium price for that product?**

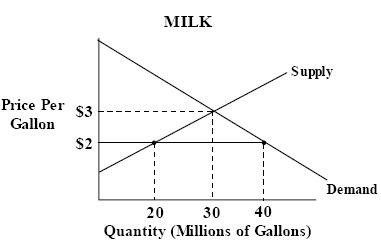
**A**  Increase

**B**  Decrease

**C**  Stay the same

**D** Not enough information

**Use the following graph to answer the following 3 questions**



**Suppose the government set a price ceiling at $2.00. What would be the quantity demanded and the quantity supplied?**

Demanded Supplied

**A** 20 40

**B** 30 30

**C** 40 30

**D** 40 20

**What did the government create when they set the price ceiling for milk at $2.00?**

**A**  Surplus

**B**  Shortage

**C**  Not enough information

**D**  Nothing, the price is above equilibrium

**If the government decides to create to create a price floor for milk at $3.50 what will be created?**

**A** Surplus

**B** Shortage

**C** Not enough information

**D** Nothing, the price is above equilibrium

**Rent controls that result in a shortage in the marketplace are an example of a**

**A** price ceiling

**B**  price floor

**C** price equilibrium

**D** price elasticity

**The minimum wage is a type of**

**A** price floor

**B** comparable worth

**C**  price ceiling

**D** marginal price

**What would happened to the equilibrium price and quantity of gasoline if a hurricane struck the oil refining regions of the U.S. gulf coast?**

A Price increases, Quantity decreases

B Price decreases, Quantity decreases

C Price increases, Quantity increases

D Price decreases, Quantity increases

**Which of the following is NOT a characteristic of a perfectly competitive market?**

**A** The products sold by the firms in the market are the same.

**B** There are many different buyers and sellers in the market.

**C**  It is difficult for a firm to enter or leave the market.

**D** Each firm can easily move resources.

**A monopoly is correctly defined as**

**A**  A firm with annual sales over 10 million.

**B** A large firm, making substantial profits, that is able to make other firms do what it wants.

**C**  A single supplier of a good or service for which there is no close substitute.

**D** A producer of a good or service that is expensive to produce, requiring large amounts of capital equipment.

**What is a business organization where the owner has totally liability for the firm but receives all of the profits?**

**A** Corporation

**B** Conglomerate

**C** Partnership

**D** Sole Proprietorship

**John, Peter, and Sarah decide to open a restaurant together where they each have liability for the business if it fails but will split all of the profits. What type of business have John, Peter, and Sarah opened?**

**A** Corporation

**B** Conglomerate

**C** Partnership

**D** Sole Proprietorship

**John, Peter, and Sarah decide to raise funds to expand their restaurant business by offering public stock in the business. What type of business is their company now?**

**A** Corporation

**B** Conglomerate

**C**  Partnership

**D** Sole Proprietorship

**A firm that owns at least four business that produce unrelated products is a?**

**A** Corporation

**B** Conglomerate

**C** Partnership

**D**  Sole Proprietorship

**What business organization is the most profitable for an individual?**

**A** Corporation

**B** Conglomerate

**C** Partnership

**D** Sole Proprietorship

**Sharon decided to open a dry-cleaning business, taking out a loan from a bank and hiring a helper. What business structure did she use?**

**A** corporation

**B** conglomerate

**C** proprietorship

**D** partnership

**What is a disadvantage of Sharon’s business structure?**

**A**  no separation of ownership and control

**B** ease of organizing the firm

**C** unlimited liability

**D** double taxation

**A steel company that has manufacturing plants in Pittsburgh, Mexico City, Hong Kong, and Moscow is an example of a**

**A** multinational

**B** vertical merger

**C** horizontal merger

**D** conglomerate

**What is an organization that negotiates for workers and attempts to speak for workers rights?**

**A** Labor Union

**B** Credit Union

**C** Professional organization

**D** Conglomerate

**If an airport is built in an area the noise pollution is a?**

**A** Negative Externality

**B** Positive Externality

**C** Pollution factor

**D** Negative Consequence

**Which of the following is NOT necessary for a market to function properly?**

**A** Buyers and Sellers must be reasonably informed

**B** Adequate competition must exist

**C** Resources must be unable to move from one industry to another.

**D** Prices must reasonably reflect the cost of production

**What is the greatest danger of a monopoly?**

**A** It denies consumers the benefit of competition

**B** It will provide for too much competition

**C** The price of goods and services will be unstable

**D** It can take control of the government

**Highways, flood control projects, national defense, and the criminal justice system are all examples of?**

**A** Private Goods

**B** Public Goods

**C** Consumer Goods

**In the US, how are public goods paid for?**

**A** Private firms collect fees from their employees

**B** Non-profit organizations collect charitable donations from people

**C** The government collects tax revenues from individuals and firms

**D**  Corporations make profits from selling goods and services

**What was the first act of Congress to restrict monopolies?**

**A** Clayton Antitrust Act

**B** Sherman Antitrust Act

**C** Federal Trade Commission Act

**D** Robinson-Patman Act

**The market structure that has all the conditions of pure competition except that the products are not identical is?**

**A** Monopoly

**B** Pure Competition

**C** Oligopoly

**D** Monopolistic Competition

**A market structure where a few very large firms dominate the market is?**

**A** Monopoly

**B** Pure Competition

**C** Oligopoly

**D** Monopolistic Competition

**Firm X has developed and patented a new mechanical device. As the sole producer of this device, Firm X is a**

**A** geographic monopoly

**B** natural monopoly

**C** technological monopoly

**D** government monopoly

**A single gas station at an interstate exit far from the next exit is an example of**

**A** geographic monopoly

**B** natural monopoly

**C** technological monopoly

**D** government monopoly

**What is an advantage of a sole proprietorship?**

**A** Unlimited liability

**B**  Ease of hiring workers

**C**  Profit is not shared

**D**  Limited Liability

**What is the best market structure for consumers?**

**A** Monopoly

**B**  Pure Competition

**C** Oligopoly

**D** Monopolistic Competition

**When advertising or other promotional campaigns try to convince buyers that a product is somehow better than another brand it is?**

**A** Monopolistic practice

**B** Competition

**C** Non-price competition

**D**  Directive Competition

**Macroeconomics is the study of economics from the standpoint of**

**A** individual economies

**B** the overall economy

**C**  a typical business firm

**D** a typical household

**The most important measure of overall economic performance is:**

**A** GNP

**B** GDP

**C** NNP

**D** DI

**What four sectors make up GDP?**

**A** Consumer, Investment, Capital, Government

**B** Consumer, Government, Financial, Investment

**C** Foreign, Government, Investment, Consumer

**D** Consumer, Financial, Domestic, Imports

**What would be included in GDP?**

**A** Spending $300,000 to buy a 3-year-old house from the home’s first owners.

**B** Spending $250,000 to purchase a new house that has never been sold before.

**C** A homemaker working hard to care for their spouse and two children

**D** The U.S government making a $600 social security payment to a retired person

**Real GDP is calculated by:**

**A**  Dividing GDP by GNP

**B** Dividing GDP by population

**C**  Multiplying GDP by capital gains

**D** Dividing GDP by price deflator

**In 2002, Estonia’s government sector was 445 billion, consumer sector was 3,000 billion, investment sector was 980 billion, and there were 670 billion in imports and 540 billion in exports. What was the GDP for 2002?**

**A** 4,555 Billion

**B** 5,095 Billion

**C**  4,425 Billion

**D** 4,295 Billion

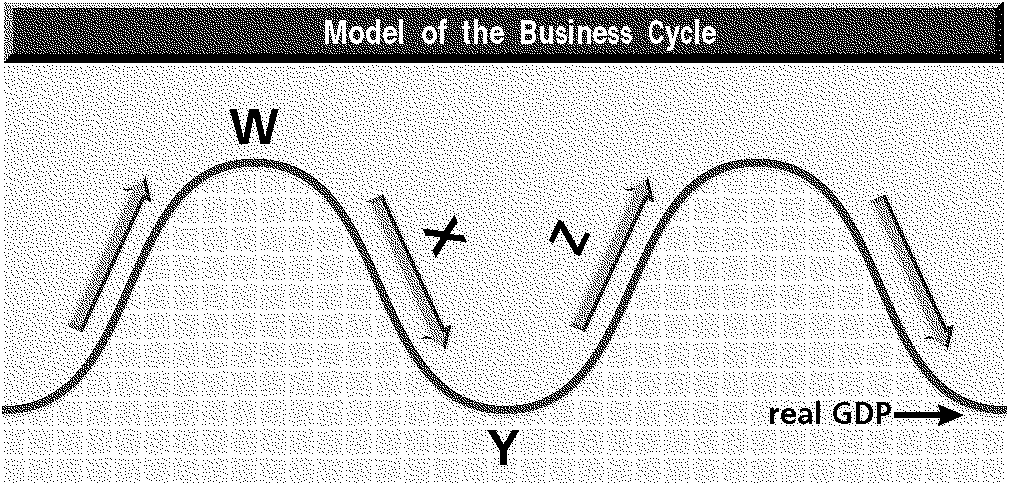
**82 The indicator that measures a nation’s output by all US residents no matter where the live is:**

**A** GNP

**B** GDP

**C** NNP

**D** DI



**Which letter on the graph represents a recession in the business cycle?**

**A**  W **B** X

**C**  Y **D** Z

**Which letter on the graph represents expansion in the business cycle?**

**A**  W **B** X

**C**  Y **D** Z

**Which of the following would not be considered unemployed?**

**A** a new entrant to the labor force

**B** a job leaver who is looking for a better job

**C** an individual fired by her employer

**D**  a newly retired worker

**Which of the following is a limitation of the unemployment rate:**

**A** Not taking into account the people who have given up looking for a job

**B** People are considered employed even when they hold a part time job

**C**  Both A & B

**D** Neither A & B

**The lowest possible unemployment rate with the factors of production being used efficiently is:**

**A** Unemployment Rate

**B** Half Employment

**C**  Full Employment

**D** Employment Rate

**This is unemployment caused by workers who are between jobs:**

**A** Structural

**B** Frictional

**C** Cyclical

**D** Seasonal

**This unemployment occurs when a change in the operation of the economy reduces the demand for workers and their skills:**

**A**  Structural

**B** Frictional

**C** Seasonal

**D** Technological

**Inflation is best described as:**

**A** a price decrease

**B** a relative price increase

**C** an increase in the general price level

**D** an increase in the price of a single necessity

**Deflation refers to the situation when?**

**A**  the inflation rate increases

**B** the average of all prices is falling.

**C** there is a recession and inflation

**D** prices are not changing.

**What is MOST likely to lead to inflation?**

**A** an increase in the cost of production

**B**  reduced prices for goods and services

**C** an increase in the aggregate supply of goods and services

**D** the application of price ceilings

**When all sectors of the economy attempt to buy more than the economy can produce what is created?**

**A** Demand pull inflation

**B** Wage price spiral inflation

**C** Government deficit inflation

**D** Cost push inflation

**What will be a consequence of inflation?**

**A** Real GDP will increase

**B** The dollar will buy more

**C** The dollar will buy less

**D** Interest rates will fall

**What type of inflation is taking place when the rate of inflation is 2%?**

**A**  Galloping

**B** Creeping

**C** Deflation

**D** Hyper

**Where was the record for hyperinflation**

**A**  Germany after WWII

**B**  Hungary after WWII

**C** France after WWI

**D** England after WWII

**What would you conclude about an economy characterized by increasing real GDP, low unemployment, and increasing inflationary pressures?**

**A** The economy is in a slowdown.

**B** The government needs to address the unemployment problem

**C** The economy is in the expansion phase of a business cycle

**D** The Federal Reserve should expand the money supply.

**Of the following groups, the one hurt the LEAST by unanticipated inflation is**

**A** workers who have cost-of-living adjustments in their contracts

**B** people who have saved money in accounts

**C** banks that have made long term, fixed rate mortgage loans

**D** consumers who buy goods and services a prevailing market prices

**All of the following are key functions of money EXCEPT**

**A** Medium of Exchange

**B** Store of Value

**C** Creator of Value

**D** Measure of Value

**Money that has an alternative use as a usable resource is known as?**

**A** Fiat Money

**B** Commodity Money

**C**  Specie

**Money that is declared valuable by government decree is known as?**

**A**  Fiat Money

**B** Commodity Money

**C** Specie

**By going to Wal-Mart and having the cashier accept your paper money in return for groceries and clothes, which function of money is demonstrated?**

**A**  Measure of Value

**B**  Medium of Exchange

**C** Store of Value

**D** Creation of Value

**The government agency that insures consumer deposits in banks is?**

**A** Federal Reserve System

**B** State Banks

**C** F.D.I.C.

**D** National Banking System

**Brandon had $5,000 in his savings account when his bank declared bankruptcy. Which of the following is true?**

**A** Brandon’s savings will be transferred to an Individual Retirement Account

**B** Some of Brandon’s savings will be returned to him after the bank’s assets are sold off.

**C** Brandon’s savings will be lost due to the bankruptcy

**D** Brandon’s savings will be protected by the FDIC

**The formula used to compute the amount of reserves a banking institution must have is called the?**

**A** Discount Rate

**B**  Reserve Requirement

**C**  Open Market Rate

**D**  Holding Rate

**Debts and obligations to others are known as?**

**A**  Liabilities

**B** Demand Deposits

**C** Properties

**D** Assets

**Liquidity refers to**

**A** the ease of converting bonds and other investments into cash

**B** the net worth of a bank

**C** a tight money policy

**D** a record high prime rate

**The expansion or contraction of the money supply to influence the cost and availability of credit is known as**

**A** Fiscal Policy

**B** Liability Policy

**C** Monetary Policy

**D** Stimulus Policy

**A tight money policy**

**A** restricts the growth of the money supply

**B** increases bank loans

**C** causes interest rates to decline

**D** encourages economic growth

**Which of the following is primarily responsible for the control of the money supply?**

**A** the United States Treasury

**B** the Federal Reserve System

**C** the Federal Deposit Insurance Corporation

**D** the Comptroller of the Currency

**Open Market Operations**

**A** refers to the Federal Reserve’s regulation of the stock market

**B** refers to loans made by the Federal Reserve to commercial banks

**C** refers to the Federal Reserve’s monitoring of all bank mergers

**D** refers to the purchase or sale of government securities by the Federal Reserve

**If the Fed chairman desires to influence the economy of the U.S. by giving newspaper interviews then he is practicing the policy of?**

**A**  Selective Credit Controls

**B** Moral Suasion

**C** Open Market Operations

**D** Reserve Requirement

**If the Fed is practicing an easy money policy then the Fed wants interest rates to?**

**A**  Increase

**B**  Decrease

**C** Stay the same

**D**  Become negative

**If the Fed sells securities in an open market operation then the money supply will?**

**A** Stay the same

**B**  Become negative

**C** Increase

**D**  Decrease

**M1 is comprised of monetary components that can best be characterized as**

**A** Fractional

**B** Transactional

**C** Reserves

**D** Interest

**A relatively high tax that raises quite a bit of revenue while trying to stop the usage of a socially undesirable product is known as**

**A** Duty Tax

**B** Sin Tax

**C** Excise Tax

**D** Sales Tax

**A tax that imposes the same percentage rate of taxation on everyone, regardless of income is a**

**A**  Regressive Tax

**B** Proportional Tax

**C** Progressive Tax

**D** Value Added Tax

**Which of the following is an example of a progressive tax?**

**A** Georgia’s state sales tax

**B** An excise tax on cigarettes

**C** A sales tax on food

**D** The federal income tax

**A tax imposed by the United States government designed to provide income for retired persons is?**

**A** Medicare

**B** Income tax

**C** Social Security

**D**  Excise Tax

**Which of the following taxes is the MOST regressive?**

**A** The federal income tax

**B**  Estate taxes

**C** A sales tax on food

**D** The corporate income tax

**What is the total amount of money the Federal government has borrowed from others?**

**A** The Federal budget deficit

**B** The Budget surplus

**C** The Federal debt

**D** The private sector debt

**What is the excess of federal expenditures over tax and revenue collections known as?**

**A** The Federal budget deficit

**B** The Federal Budget surplus

**C** The Federal debt

**D** The private sector debt

**What is the effect of the Federal Debt on the economy?**

**A** It stimulates growth through expansion of the money supply

**B** It slows growth by driving up interest rates and causing the need to raise taxes to offset interest

**C** It slows growth through expansion of the money supply

**D** It stimulates growth by driving up interest rates and causing the need to raise taxes to offset interest

**Where does the Federal government receive its largest share of revenues?**

**A** Corporate Income Taxes

**B** Individual Income Taxes

**C** Excise Taxes

**D** Estate Taxes

**What are the tools that used by government in when influencing the economy through fiscal policy?**

**A** The Federal Reserve and Open Market Operations

**B** The Stock Market and Foreign Trade

**C** The Executive Branch and Supreme Court

**D** Government Spending and Taxation

**These are programs that are designed to act on their own to help stabilize the economy.**

**A** The Multiplier Effect

**B** The Accelerator

**C** Keynesian Economics

**D** Automatic Stabilizers

**135 Under the theory of Keynesian Fiscal Policy, the total output of the economy should grow through**

**A** Decreasing in Government Spending

**B** Increasing the Money Supply

**C** Increasing in Government Spending

**D** Decreasing the Money Supply

**In Supply-Side economics, the policies are designed to**

**A** Increase Aggregate Supply

**B** Decrease Aggregate Supply

**C** Increase Aggregate Demand

**D** Decrease Aggregate Demand

**The two key tenants of Supply-Side economics are**

**A** Smaller Role of Government and Lower Taxes

**B** Larger Role of Government and Lower Taxes

**C** Larger Role of Government and Higher Taxes

**D** Smaller Role of Government and Higher Taxes

**A country’s ability to produce more of a product than another country is known as**

**A** international advantage

**B**  relative advantage

**C**  comparative advantage

**D**  absolute advantage

**If a country can produce a product at a lower opportunity cost than another country, then it has a(n)**

**A**  better climate

**B** larger labor force

**C** comparative advantage

**D** absolute advantage

**A provision allowing a country to receive the same tariff reduction that the United States negotiates with a third country is called**

**A** North American Free Trade Agreement (NAFTA)

**B** World Trade Organization (WTO)

**C** most favored nation clause

**D** balance of payments

**Countries X and Y will NOT trade shoes and wheat if which of the following is true?**

**A** Country X can produce more shoes and wheat than Country Y

**B**  Country Y can produce enough shoes and wheat to satisfy the demand of its public

**C**  The opportunity costs of producing shoes and wheat are the same in both countries

**D** The opportunity cost of producing shoes is greater in Country X than it is in Country Y

**All of the following is true of fixed exchange rates EXCEPT**

**A**  one currency is fixed in terms of another

**B** the exchange rate does not change

**C**  supply and demand determine currency’s value

**D** gold was once the common denominator