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Exploring Economics  
Quiz and Exam Book

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# How to Use This Book

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This *Quiz and Exam Book* helps you measure your understanding of the lessons in *Exploring Economics* and the readings in *The Stewardship of God's Riches*. It includes review questions over the lessons and readings, a quiz over each unit, and three exams that cover units 1-5, 6-10, and 11-15. You should plan on answering the review questions on each lesson and supplemental reading (when assigned) on the day you read them. The quiz over each unit should be completed at the end of that unit. The exams should be completed as soon as possible after you finish studying the units covered in each one. Plan on taking some time to review the relevant units before you take each exam. The quizzes and exams do not include any questions from the readings except for one question on the third exam that asks you to tell about one reading that you especially enjoyed. The answers for all of the questions in this book are in the *Exploring Economics Quiz and Exam Book Answer Key*.

These activities are intended to help you grasp the important ideas that are taught in the curriculum, but don't let them become a burden. Focus on learning the important points in the lessons, and keep in mind the goal of growing in your understanding of how our economy works. May God bless and guide you in your study.



# Unit 1

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## Lesson 1

1. Who said, "Economics is a study of mankind in the ordinary business of life"?
2. What is the Greek word from which we get the word *economics*?
3. What is the meaning of the Greek word from which we get the word *economics*?
4. In previous generations, the word *economy* primarily referred to the management of what?
5. What are some jobs that economists do?
6. How does Merriam-Webster's Eleventh Collegiate Dictionary define economics?
7. According to Merriam-Webster, an economy is the structure or conditions of economic life in what?
8. Economics is a \_\_\_\_\_ science.
9. Economics studies \_\_\_\_\_ behavior.
10. If you were deciding what to do with five hundred dollars today, what would your decision be?

## Lesson 2

1. What is one development which causes the people of a simple society to become economically interdependent?
2. What is the principle of opportunity cost?
3. List five things you use frequently for which you rely on the specialized labor of other people and do not know how to create or prepare yourself.
4. What is created when people specialize in certain efforts and offer their goods and services to others for a price?
5. Why does the law of supply and demand work?
6. In American society, what is used as the medium of exchange?
7. Money once took the form of what?
8. What does Leonard Read mean when he says that "not a single person on the face of the earth knows how to make a pencil"?
9. What is the mystery of how a pencil is created?
10. What is the main lesson that Read wants to make with this essay?

## Lesson 3

1. A group of workers who organize themselves and negotiate with business owners for higher wages and benefits is called what?
2. Why do many American companies prefer to have their products made overseas?
3. What are some examples of how a country at war can negatively affect trade?
4. Describe capitalism.
5. Describe socialism.
6. What are some examples of institutions that help the working of the economy?
7. Name two businesses that the United States government has created.
8. What term is used to describe economic effects external to the direct production of goods?

9. What is the meaning of the term gross domestic product?
10. What is the difference between macroeconomics and microeconomics?

### Lesson 4

1. Who is often called the father of modern economics?
2. In what country was Adam Smith born?
3. What book by Adam Smith was published in 1776?
4. How did Smith challenge the prevailing view of how nations build and acquire wealth?
5. Where was Karl Marx born?
6. What two classes of society did Marx acknowledge?
7. Describe Marx's theory for the establishment of a socialist state.
8. What two circumstances does Smith say regulate the proportion of what a nation produces to the number of those who are to consume it?
9. What does Smith say brought about the greatest improvement in the productive powers of labor?
10. Smith says that we obtain what we need not from the \_\_\_\_\_ of merchants but from their regard to their own \_\_\_\_\_.

### Lesson 5

1. What is seen as the starting point of the influence of the Austrian School of Economics?
2. What events vindicated Ludwig von Mises' belief that the absence of competition in a free market would make a socialist system unworkable?
3. Name two world leaders who were influenced by *The Road to Serfdom* by Friedrich Hayek.
4. Who is considered the father of the modern study of macroeconomics?
5. In *The General Theory of Employment, Interest, and Money*, what kind of government action did John Maynard Keynes advocate to stimulate demand in times of emergency?
6. In his 1981 inaugural address, Ronald Reagan said that government is what?
7. Milton Friedman believed that the Great Depression was primarily caused by what?
8. What four U.S. Presidents did John Kenneth Galbraith serve?
9. What work popularized the term "conventional wisdom"?
10. Who was the chairman of the Council of Economic Advisors from 2003 to 2005?



## Unit 1 Quiz

- \_\_\_\_\_ 1. The Greek word from which we get the word *economics* is:
- a. oikos
  - b. nomos
  - c. oikonomos
  - d. nemeinoikos
- \_\_\_\_\_ 2. The term used to describe economic effects external to the direct production of goods is:
- a. outside effect
  - b. side effect
  - c. externalities
  - d. economic externals
- \_\_\_\_\_ 3. What does GDP stand for?
- a. greater domestic product
  - b. general domestic production
  - c. gross domination production
  - d. gross domestic product
- \_\_\_\_\_ 4. What term is used to describe the analysis of how individual households and companies make decisions and how buyers and sellers interact in the market?
- a. macroeconomics
  - b. microeconomics
  - c. business cycle
  - d. marginal values
- \_\_\_\_\_ 5. In the United States, money is used as a:
- a. medium of barter
  - b. medium of exchange
  - c. medium of value
  - d. medium of worth
- \_\_\_\_\_ 6. At one time or another, money has taken the form of:
- a. gold
  - b. silver
  - c. paper certificates
  - d. all of the above
- \_\_\_\_\_ 7. The prevailing economic philosophy at the time of the publication of *The Wealth of Nations* was:
- a. mercantilism
  - b. Marxism
  - c. institutionalism
  - d. monetarism
- \_\_\_\_\_ 8. What book by Karl Marx and George F. W. Engel was a statement of revolutionary principles for a labor organization?
- a. *Das Kapital*
  - b. *The Communist Manifesto*
  - c. *War and Peace*
  - d. *The Road to Serfdom*
- \_\_\_\_\_ 9. Who wrote *Principles of Economics*?
- a. Carl Menger
  - b. Adam Smith
  - c. John Maynard Keynes
  - d. Milton Friedman
- \_\_\_\_\_ 10. The conference at Bretton Woods, New Hampshire led to the creation of:
- a. the General Agreement on Tariffs and Trade
  - b. the International Monetary Fund
  - c. the World Bank
  - d. all of the above

## Unit 2

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### Lesson 6

1. According to Deuteronomy 8:1-9, God was bringing the Israelites to a land in which they would not lack what?
2. As a result of the famine in Egypt during the time of Joseph, the Egyptians were required to give what fraction of their crops to Pharaoh?
3. Deuteronomy 8:18 says that God gave the Israelites power to make what?
4. What were the Israelites commanded to do with their fields every seven years?
5. In Leviticus 25:15, God explained that in acquiring land, the Israelites were actually buying what?
6. Were the Israelites permitted to charge interest on loans made to their fellow countrymen?
7. What determined the price required to redeem an Israelite who sold himself to a foreigner?
8. The Israelites were commanded to leave the gleanings of their field for whom?
9. An employer was told to pay his hired men when?
10. God's blessing of Israel was always contingent on what?

### Lesson 7

1. Whom did the elders of Israel approach to ask for a king?
2. List the things the Lord warned Israel in 1 Samuel 8:10-18 that a king would take from them.
3. In addition to wisdom, what did the Lord give Solomon?
4. Who told Solomon that his wisdom and prosperity exceeded the reports she had heard about him?
5. What kingdom experienced great prosperity, especially in the early part of the eighth century BC?
6. Amos 2:6 accuses the Israelites of selling the needy for what?
7. The Old Testament phrase "Every man under his vine and his fig tree" is used to describe what?
8. Name four elements of the Biblical worldview according to Ronald Nash.
9. What does Walter Williams say are the only two ways in which something may be exchanged?
10. Does Nash believe that capitalism, socialism, or interventionism is the most moral system, the most effective system, and the most equitable system of economic exchange?

### Lesson 8

1. What is the most important attitude to have concerning financial matters?
2. What three things are mentioned in Proverbs 22:4 as being the reward of humility and the fear of the Lord?
3. According to Proverbs 13:18, what will come to him who neglects discipline?
4. What does Proverbs 15:6 say is in the house of the righteous?
5. What did the writer of Ecclesiastes conclude about the activities which his hands had done and the labor he had exerted?
6. Before he saw their destruction, how did the Psalmist react to the prosperity of the wicked?

7. Proverbs 23:4-5 warns us not to weary ourselves to gain wealth, and tells us to cease from what?
8. Dave Thomas says that success comes through doing what?
9. What are the four basic groups of Thomas' ingredients for success?
10. Whose funeral did Thomas attend in Memphis in 1991?

### Lesson 9

1. What does Proverbs 11:1 say is an abomination to the Lord?
2. According to Proverbs 11:1, what is a delight to the Lord?
3. What does Proverbs 22:7 say the borrower becomes?
4. What is the modern term used for becoming surety for the debt of another?
5. In Proverbs 6, the writer tells his son not even to do what before he delivers himself from being surety for his neighbor?
6. Proverbs 29:7 says that the righteous are concerned about the rights of whom?
7. According to Proverbs 19:17, what will be the reward for the man who is gracious to a poor man?
8. Proverbs 22:1 says that we should desire what more than great wealth?
9. The writer of Proverbs 30:7-9 asks the Lord to give him neither \_\_\_\_\_ nor \_\_\_\_\_.
10. What does Haggai 2:8 tell us belongs to the Lord?

### Lesson 10

1. What group did Jesus describe as "lovers of money"?
2. Other than the kingdom of God, what subject did Jesus address the most in His teaching?
3. Why did Jesus say a person cannot serve two masters?
4. What did Jesus say can happen more easily than a rich man entering the kingdom of God?
5. What is an example from Jesus' ministry that indicates Jesus does not require everyone to sell all their possessions?
6. In Luke 4:18, Jesus said He came to preach the gospel to whom?
7. According to Luke 6:38, what will happen when we give?
8. In Jesus' parable about the workers in the vineyard, why did some of the men think they should receive more money than the others?
9. Jesus asked what it would profit a man if he gained the whole world but forfeited what?
10. According to Luke 12:48, what will be required of him who has been given much?

## Unit 2 Quiz

- \_\_\_\_\_ 1. In the Israelites' year of jubilee, what happened to the land that a person had acquired since the previous year of jubilee?
- it became the property of the poor
  - it reverted to the family of the original owner
  - it became the property of the priests
  - it produced a double yield
- \_\_\_\_\_ 2. Who actually owned all the land of Israel?
- the descendants of Moses
  - the priests
  - the Lord
  - the Egyptians
- \_\_\_\_\_ 3. Amos 6:1 declared woe upon the Israelites who were:
- poor
  - hungry
  - at ease
  - happy
- \_\_\_\_\_ 4. Who conquered the southern kingdom of Judah and carried many of the people away to exile?
- Assyria
  - Babylon
  - Egypt
  - Persia
- \_\_\_\_\_ 5. Proverbs 23:4-5 compares wealth to the fleeting nature of what?
- an ant
  - a rock
  - an eagle
  - a mountain goat
- \_\_\_\_\_ 6. According to Proverbs 22:2, the rich and the poor share what common bond?
- The Lord made them all.
  - They all experience joy and sorrow.
  - Death is coming for all of them.
  - They all need food and rest.
- \_\_\_\_\_ 7. Why does the writer of Proverbs 30:7-9 not want riches?
- so the poor will not be jealous
  - so he will be comfortable
  - so his family will not disown him
  - so he will not deny the Lord
- \_\_\_\_\_ 8. Psalm 15 tells us that he who does not, among other things, take a bribe against the innocent will never what?
- be shaken
  - die
  - be hungry
  - cry
- \_\_\_\_\_ 9. Besides the kingdom of God, what subject did Jesus talk about the most?
- money
  - compassion
  - the church
  - the prophecies of the Old Testament
- \_\_\_\_\_ 10. In Jesus' parable about the rich fool, He said the fool had stored up treasure for himself but was not:
- satisfied
  - rich toward God
  - humble
  - happy with his work

## Unit 3

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### Lesson 11

1. How did the first believers in Jerusalem see their possessions?
2. What happened to the money the early Christians brought to the apostles from the sale of their homes and land?
3. The fellowship of Christians in Jerusalem oversaw a daily distribution of food to whom?
4. Acts 11 tells us about Christians from which city who collected money to be used to meet the needs of Christians in Judea?
5. Paul said that he had learned to be content in what kinds of circumstances?
6. How did Paul tell slaves to serve their masters?
7. In 2 Thessalonians 3, what did Paul command and exhort the Christians in Thessalonica who were acting like busybodies to do?
8. In James 2, James wrote that God had chosen the poor to be what?
9. In light of the fact that we do not know what our lives will be like tomorrow, James compares us to what in James 4?
10. According to 2 Corinthians 8:9, why did Jesus become poor?

### Lesson 12

1. What is the meaning of the Greek word *monos*?
2. What is the term used to describe the movement in which believers sold or gave away their possessions and lived largely separated from ordinary contact with the world?
3. What were two ways in which some members of this movement had contact with the communities around them?
4. During the Middle Ages, what was the richest institution in Europe?
5. To whom did European kings sometimes appeal to receive financial support for military undertakings?
6. Who led a movement that rejected traditional Roman Catholic teachings and practices, including the idea that poverty was especially meritorious in God's eyes?
7. What did this person rediscover regarding an individual's work?
8. How did the Puritans view financial success?
9. What were three priorities in the Puritans' lives that led to economic success?
10. Do you agree with John Winthrop's view that God has "so disposed of the condition of mankind, as in all times some must be rich, some poor, some high and eminent in power and dignity; others mean and in subjection"? Explain your answer.

### Lesson 13

1. The focus on social and economic causes in the name of Christ came to be called what?
2. Economist and sociologist Max Weber was from what country?
3. How did Max Weber define capitalism?
4. What theology takes ideas from Scripture to support liberating the poor from their poverty by opposing supposed oppressors?
5. What verse do liberationists use to support their ideas of political revolution?
6. What two terms are used to describe the school of thought promoted by R. J. Rushdoony?

7. How should a Christian treat a secular government?
8. According to John Davenport, what trilogy works through our affairs?
9. According to Davenport, the simplest economic exchange requires what on the part of both buyer and seller?
10. Against naive materialism, religion affirms what and posits what?

### **Lesson 14**

Questions 1-7 were raised in this lesson. Give your answers to these questions.

1. What standard of living should be a Christian's goal?
2. How should a Christian be engaged with the world in terms of economics?
3. What principles should a Christian business person follow in his or her business?
4. How should a Christian business person use his or her profit?
5. Is a Christian guaranteed financial success? Explain your answer.
6. What standards characterize a just economy?
7. What should Americans want in material terms?
8. "Economic Justice for All" says that every economic decision and institution must be judged in light of what?
9. What does the Pastoral Letter say is the moral function of government?
10. What is the "principle of subsidiarity" that helps determine the scope and limits of governmental intervention in the economy?

### **Lesson 15**

1. According to Luke 12:15, even when he has an abundance, a man's life does not consist of what?
2. When Abram and Lot separated, how did Lot show an attitude of greed?
3. In Luke 3, what did John tell the tax collectors to do?
4. Who lied to the church and to the Holy Spirit about the sale price of a piece of property?
5. In 1 Timothy 6, Paul wrote that people who want to get rich fall into what?
6. What are some temptations into which wealthy people are likely to fall?
7. Why did James say that his readers were not receiving what they asked for?
8. In the late nineteenth and early twentieth centuries, what sort of labor did some American manufacturing companies use to increase company profit?
9. What did Paul say is the root of all sorts of evil (1 Timothy 6:10)?
10. In 1 Timothy 6, Paul said that godliness is a means of great gain when accompanied by what?

### Unit 3 Quiz

- \_\_\_\_\_ 1. Paul commanded a change in the behavior of the believers in Thessalonica whom he had heard were living what kind of life?
- a. monastic
  - b. undisciplined
  - c. quiet
  - d. meaningless
- \_\_\_\_\_ 2. Who are two early Christians who are known to have been somewhat wealthy?
- a. Peter and Paul
  - b. Barnabas and Silas
  - c. Cornelius and Lydia
  - d. Erastus and Damaris
- \_\_\_\_\_ 3. Monks committed themselves to living a life of voluntary poverty and devoted themselves to:
- a. singing and dancing
  - b. prayer and tithing
  - c. singing and preaching
  - d. prayer and fasting
- \_\_\_\_\_ 4. As a result of their successful New England colonies, what group had significant influence in America and in the thinking of American Christians regarding faith and money?
- a. Puritans
  - b. Lutherans
  - c. Roman Catholics
  - d. monks
- \_\_\_\_\_ 5. Who wrote *The Protestant Ethic and the Spirit of Capitalism*?
- a. John Calvin
  - b. John Winthrop
  - c. Max Weber
  - d. Dwight Moody
- \_\_\_\_\_ 6. What part of the world in particular has developed liberation theology?
- a. Eastern Europe
  - b. South Pacific
  - c. North America
  - d. Latin America
- \_\_\_\_\_ 7. According to Scripture, we will have plenty if we are:
- a. generous
  - b. perfect
  - c. cautious
  - d. monastic
- \_\_\_\_\_ 8. In Luke 12:15, Jesus warned His listeners to be on their guard against every form of what?
- a. sin
  - b. pleasure
  - c. greed
  - d. discipline
- \_\_\_\_\_ 9. To what did Paul compare greed in Colossians 3:5?
- a. hypocrisy
  - b. adultery
  - c. murder
  - d. idolatry
- \_\_\_\_\_ 10. Paul said that godliness is a means of great gain when accompanied by what?
- a. wealth
  - b. contentment
  - c. ease
  - d. happiness

## Unit 4

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### Lesson 16

1. In the late 1400s, why did Europeans want to find an easier route to Asia?
2. At first, what was the main purpose of Spanish settlements in the New World?
3. What is the term given to the government policy of assisting businessmen in establishing colonies?
4. The English colonies in America were based on what economic activity?
5. What was the primary standard of wealth in the English colonies in America?
6. Did most English colonists in America see more or less economic opportunity in the colonies than they had in England?
7. What two actions did the British government take after the French and Indian War that angered colonists?
8. What were four economic issues that the new United States faced under the Articles of Confederation?
9. To what kind of tax or levy did John Dickinson object?
10. What impositions by the English government did Dickinson believe to be justified?

### Lesson 17

1. The fiscal powers given to Congress in the Constitution were significant but were also \_\_\_\_\_.
2. Name three specific powers related to economic activity that were given to Congress in the Constitution.
3. What prohibition in the Constitution helped to unify the nation's economy?
4. What controversial institution had an impact on the economy, especially in the South?
5. What were the three main elements of Alexander Hamilton's fiscal plan?
6. What Federal law sparked a rebellion in western Pennsylvania in 1794?
7. What industry saw dramatic growth in the early United States?
8. The growth in this industry led to greater demand for what agricultural commodity?
9. What invention by Eli Whitney increased productivity on southern plantations?
10. What two developments in water transportation led to increased trade?

### Lesson 18

1. What practice by France and Britain hurt American trade?
2. What act did Thomas Jefferson urge Congress to pass in response to this practice?
3. What was the effect of this law?
4. What did the Federal government do to help pay off debt after the War of 1812?
5. What was rechartered in 1816?
6. What were some of the factors in the Panic of 1819?
7. How did the Supreme Court's decision in *Gibbons v. Ogden* (1824) affect the U.S. economy?
8. What was Andrew Jackson's response to Congressional renewal of the Bank of the United States in 1832?
9. Where did Jackson order Federal funds to be deposited?



10. What was the name of the system begun in 1840 to hold Federal funds and pay the Federal government's bills?

### Lesson 19

1. What was the economic impact of the Civil War in the North and in the South?
2. What were four acts of Congress that expanded the national economy?
3. What was the first big business in the U.S., which grew dramatically after the Civil War?
4. What are some examples of advances in technology that came about in the late nineteenth and early twentieth centuries?
5. What financial practice helped to create large companies?
6. What were two early steps that the Federal government took in regulating the economy?
7. What was the nickname of the paper currency printed during and after the Civil War?
8. What was established in 1913 as the central bank for the United States?
9. According to Amity Shlaes, how did Franklin Roosevelt change the definition of the phrase "the forgotten man"?
10. What did Roosevelt do in 1935 and 1936 that changed the role of the Federal government in the economy?

### Lesson 20

1. What is generally credited with helping the country move out of the Great Depression?
2. After World War II, the United States economy had what kind of trend that extended into the 1960s?
3. Under what president did Federal spending on social programs like Medicare and Medicaid and on the Vietnam War dramatically increase?
4. What was a major economic problem during the 1970s?
5. What proposal did Ronald Reagan make in 1980 (which an opponent called "voodoo economics") that he said would bring about economic growth?
6. What was the pattern of Federal spending during the 1980s?
7. What kind of financial institution saw many failures during the late 1980s and early 1990s?
8. What were two factors that contributed to the prosperity of the 1990s?
9. What was the average annual growth in the gross domestic product of the United States for the fifty years following World War II?
10. How many recessions did the United States experience between 1948 and 2001?

## Unit 4 Quiz

- \_\_\_\_\_ 1. The economic motivation behind the American colonies' break with Great Britain included the colonists' anger at the British policy of:
- selling western lands to Indians
  - forbidding a tax on whiskey
  - imposing taxes on the colonies
  - interfering with merchant ships leaving the colonies
- \_\_\_\_\_ 2. Under the Articles of Confederation, the United States:
- had no national currency
  - completed the Louisiana Purchase
  - paid off its debt
  - began giving block grants to the states
- \_\_\_\_\_ 3. The Constitution gave Congress the power to:
- impose an income tax on the citizens
  - regulate interstate commerce
  - impose tariffs on trade between the states
  - order individual states to abolish slavery
- \_\_\_\_\_ 4. The plan put forth by Alexander Hamilton included a proposal to:
- cancel all pre-existing government debt
  - create a system of Federally-chartered state banks
  - do away with import tariffs
  - create a national bank
- \_\_\_\_\_ 5. One factor that brought about the War of 1812 was:
- British interference with American shipping
  - the closing of the Bank of the United States
  - a desire to sell Louisiana to Spain
  - British anger at the Embargo Act
- \_\_\_\_\_ 6. After Andrew Jackson vetoed the renewal of the Bank of the United States, Federal funds:
- were unavailable to the government
  - were dispersed to individual citizens
  - were used to purchase savings bonds
  - were deposited in several state banks
- \_\_\_\_\_ 7. The first big business that developed after the Civil War was:
- munitions
  - automobiles
  - railroads
  - farm equipment
- \_\_\_\_\_ 8. What was created by Congress in 1913 to serve as a central bank?
- Bank of America
  - Federal Reserve System
  - Federal Deposit Insurance Corporation
  - Bank of Washington
- \_\_\_\_\_ 9. What is generally credited with bringing the United States out of the Great Depression?
- production related to World War II
  - the Truman Administration
  - Social Security
  - the National Recovery Act
- \_\_\_\_\_ 10. A major economic issue during the 1970s was:
- voodoo economics
  - Federal surpluses
  - a lack of currency
  - inflation

## Unit 5

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### Lesson 21

1. What are some choices that Americans can make?
2. Do we have a responsibility to make choices?
3. What are some suggestions for making good choices?
4. What is one consequence of making bad choices?
5. How does the significance of the choices we make change as we get older?
6. Choices often have \_\_\_\_\_ consequences.
7. Did John Fund expect to see a trend toward a greater dependence on government or toward a reassertion of individual rights and freedoms?
8. What was the comment by the East German girl on how she expected the government would always treat them?
9. What was her comment after speaking to an American high school class?
10. What can one learn from a trip to the ruins of the Berlin Wall?

### Lesson 22

1. What are three basic economic questions that people in a society decide?
2. Why do people have to make economic choices?
3. In what ways do people act that indicate that they do not want to admit scarcity?
4. What are the consequences of believing in an unlimited economic pie?
5. What is a cost-benefit analysis?
6. What are examples of cost-benefit analysis by an individual, a business, and government?
7. What is an economic margin?
8. Why is a study of margins important?
9. What is a marginal benefit?
10. What is a marginal cost?

### Lesson 23

1. What are goods and services?
2. What are production resources?
3. What is the economic definition of capital?
4. What are production possibilities?
5. Draw a production possibility curve for a society which can make two products: 1,000 pounds of ice cream and 1,000 pounds of cake.
6. What is opportunity cost?
7. What is economy of scale?
8. Steve Forbes says that capitalism is a moral system because it is based on what?
9. What does it mean to say that capitalism is a bottom-up and not a top-down economic system?
10. In what area of the economy does Forbes say that managed competition has been tried and has failed?

## **Lesson 24**

1. What percentage of economic activity in the U.S. consists of personal consumption?
2. What is an economic incentive?
3. Name two common incentives for consumers.
4. What is an unintended consequence?
5. What is a substitute good?
6. What is consumer choice theory?
7. What does utility mean in economics?
8. What is the law of diminishing marginal utility?
9. What are some aspects of cost-benefit analysis involved in making a decision about going to college?
10. What are some tradeoffs involved in the decision about going to college?

## **Lesson 25**

1. How do capitalism and socialism differ in terms of who makes economic decisions?
2. Define economic efficiency.
3. Define economic equity.
4. Define economic freedom.
5. Define economic security.
6. Define economic stability.
7. What are some incentives that government can offer?
8. How can government be involved in the allocation of goods and services?
9. Public choice theory applies principles of economics to what other field?
10. According to public choice theory, what is the basic motivation for voters and elected government officials?

## Unit 5 Quiz

- \_\_\_\_\_ 1. Making choices is:
- a. a necessity
  - b. a blessing
  - c. a responsibility
  - d. all of the above
- \_\_\_\_\_ 2. Making bad choices now makes good choices later:
- a. more difficult
  - b. impossible
  - c. easier
  - d. more obvious
- \_\_\_\_\_ 3. We face economic choices because:
- a. we have a limited economic pie
  - b. only a certain number of people can be producers
  - c. we can never go into debt
  - d. we have limited resources
- \_\_\_\_\_ 4. Marginal benefit is:
- a. the result of analyzing the cost of a possible choice
  - b. the result of economic loss
  - c. the change in total benefit that results from an action
  - d. only determined after you make a decision
- \_\_\_\_\_ 5. Production resources are:
- a. intangible assets
  - b. the same thing as production possibilities
  - c. the same thing as economies of scale
  - d. the factors of production
- \_\_\_\_\_ 6. The production possibilities frontier:
- a. is the maximum production an economy can have given its production resources
  - b. is not affected by changes in technology
  - c. shows where production is least equitable
  - d. shows how to avoid paying an opportunity cost
- \_\_\_\_\_ 7. A rebate is an example of:
- a. a substitute good
  - b. diminishing marginal utility
  - c. an incentive
  - d. a disincentive
- \_\_\_\_\_ 8. Consumer choice is affected by:
- a. what the consumer wants
  - b. what the consumer can afford
  - c. both a and b
  - d. either a or b, but not both at the same time
- \_\_\_\_\_ 9. Capitalism and socialism differ in terms of:
- a. whether people have to work
  - b. who makes economic decisions
  - c. having to make production possibility choices
  - d. the need for economic growth
- \_\_\_\_\_ 10. Public choice theory emphasizes the role in decision-making that is played by:
- a. voters only
  - b. public officials only
  - c. opposition parties
  - d. self-interest

**First Exam (Units 1-5)**

(100 points total. Questions are worth two points each unless otherwise indicated.)

- \_\_\_\_\_ 1. The Greek word from which we get the word economics means:
- a. money
  - b. resources
  - c. steward
  - d. scarcity
- \_\_\_\_\_ 2. The situation in which people focus on one kind of work and pay others for or trade for other goods and services they need is called:
- a. democracy
  - b. specialization
  - c. socialism
  - d. barter
- \_\_\_\_\_ 3. Economic specialization leads to:
- a. socialism
  - b. freedom
  - c. recessions
  - d. interdependence
- \_\_\_\_\_ 4. Markets operate on the principle of:
- a. supply and demand
  - b. a mixed economy
  - c. reciprocity
  - d. diminishing marginal utility
- \_\_\_\_\_ 5. The principle of supply and demand works because of the power of:
- a. prices
  - b. socialism
  - c. advertising
  - d. banking
- \_\_\_\_\_ 6. Money:
- a. is a sin
  - b. is a necessity
  - c. is a medium of exchange
  - d. has value in itself, regardless of what it can buy
- \_\_\_\_\_ 7. A free market economy that has some degree of government oversight or involvement is called:
- a. a socialist economy
  - b. a mixed economy
  - c. a traditional economy
  - d. a weak economy
- \_\_\_\_\_ 8. Banks, corporations, unions, and laws protecting property rights are examples of:
- a. the evils of capitalism
  - b. economic distribution
  - c. economic institutions
  - d. transition economies
- \_\_\_\_\_ 9. Adam Smith's book on economics is called:
- a. *Das Kapital*
  - b. *The Invisible Hand*
  - c. *The End of Mercantilism*
  - d. *The Wealth of Nations*
- \_\_\_\_\_ 10. Adam Smith wrote that mutual self-interest:
- a. is destructive of economic well-being
  - b. should be replaced by a commune run by workers
  - c. results in goods and services being available for people to purchase
  - d. is best expressed by close government oversight of the economy

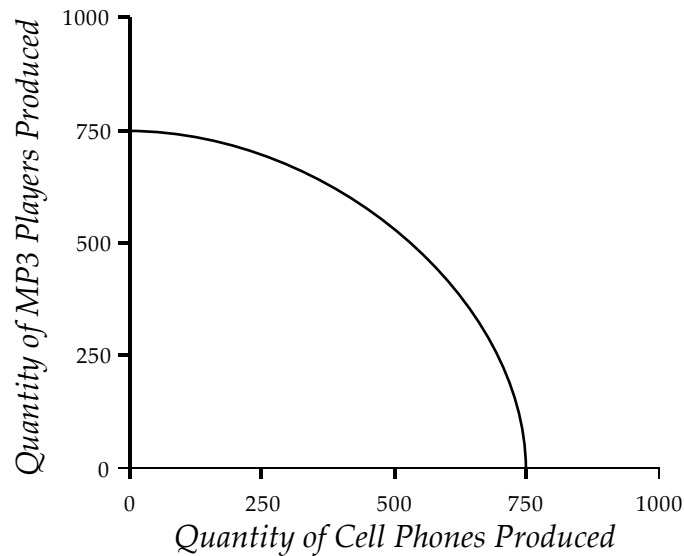
- \_\_\_\_\_ 11. Smith believed that the most effective operation of the market (goods and services being produced, the amount of each that is produced, and the prices charged for them) is accomplished by:
- government decree
  - freedom in the market as illustrated by the “invisible hand”
  - everyone following the instructions of the most wealthy merchants
  - mercantile patterns of diminishing margins
- \_\_\_\_\_ 12. Karl Marx’s main treatise on economics is called:
- The Wealth of Nations*
  - The History of Class Struggles*
  - The Paris Manifesto*
  - Das Kapital*
- \_\_\_\_\_ 13. Marx urged that workers:
- form unions and demand better pay
  - develop a class consciousness, cast off their chains, and seize the means of production
  - support business owners in their desire for profits
  - forget their troubles by taking opium
- \_\_\_\_\_ 14. The experience of history has been that socialist economies:
- produce more goods and services than capitalist economies
  - have provided economic freedom and opportunity for millions around the world
  - transition from authoritarian to peaceful communes fairly quickly
  - do not improve the economic conditions of the people as well as capitalist economies
- \_\_\_\_\_ 15. The Austrian School of Economics and Milton Friedman have been advocates of:
- communist states
  - free markets
  - greater government involvement in the economy
  - higher taxes to pay for government projects
- \_\_\_\_\_ 16. John Maynard Keynes and John Kenneth Galbraith were advocates of:
- greater government spending to stimulate the economy
  - an end to big government
  - what they called economic serfdom
  - what they called the affluent society
- \_\_\_\_\_ 17. Determining if an economic step is worth the effort is called:
- an incentive
  - a rebate
  - cost-benefit analysis
  - a tradeoff
- \_\_\_\_\_ 18. Determining the additional cost of taking the next step is called:
- marginal analysis
  - alternative resources
  - identifying scarcity
  - creating a circular-flow diagram
- \_\_\_\_\_ 19. A rebate is an example of:
- a product
  - an incentive
  - production capital
  - a production possibility

- \_\_\_\_\_ 20. The Bible describes God as a God of:
- a. scarcity
  - b. cruelty
  - c. abundance
  - d. inconsistency
- \_\_\_\_\_ 21. Before the Israelites took possession of the Promised Land, the Law made it clear that the land they would receive actually belonged to:
- a. the Canaanites
  - b. the Lord
  - c. the patriarchs
  - d. the leaders of the tribes
- \_\_\_\_\_ 22. In the Old Testament, the prophets:
- a. congratulated the Israelites on their profitable trade with other nations
  - b. condemned the Israelites for their greed and injustice
  - c. referred to Israel's time in Egypt as the golden age
  - d. urged the people to give their financial support to the king
- \_\_\_\_\_ 23. A phrase in the Old Testament that described economic security, prosperity, and freedom was:
- a. "Every man under his vine and fig tree"
  - b. "Life, liberty, and the pursuit of happiness"
  - c. "Workers of the world, unite!"
  - d. "The more we have, the happier we will be"
- \_\_\_\_\_ 24. According to Proverbs, debt:
- a. is dangerous
  - b. is acceptable at times, especially when starting a business
  - c. is acceptable at times, especially when co-signing a loan
  - d. is desirable
- \_\_\_\_\_ 25. Jesus told His followers:
- a. not to be worried about money
  - b. to follow the example of the rich and successful
  - c. that wealth is evidence of God's blessing
  - d. that they all had to sell all of their possessions
- \_\_\_\_\_ 26. The Christians in the early church in Jerusalem:
- a. practiced communism
  - b. organized a clothes closet in the church building
  - c. believed that all things they owned were common property
  - d. were suspicious of requests for assistance
- \_\_\_\_\_ 27. A movement in the first few centuries of Christianity that was characterized by voluntary poverty and living separate from the world is called:
- a. iconoclasm
  - b. protestantism
  - c. catholicism
  - d. monasticism



- \_\_\_\_\_ 28. Max Weber claimed that:
- Protestant thought was a strong influence on capitalism
  - Catholic thought came close to destroying capitalism
  - Lutheranism was wrong
  - liberation theology was wrong
- \_\_\_\_\_ 29. The thinking that led to efforts to colonize the New World included the idea that:
- colonies would be a good place to send the least productive members of society
  - colonies could produce wealth and become markets for the mother country
  - colonies could be a source of slaves for the mother country
  - colonies would benefit the business interests but not the crown
- \_\_\_\_\_ 30. The economic powers given to the Federal government in the Constitution were:
- important but limited
  - intended to be extensive and wide-ranging
  - similar to the powers that the Federal government had under the Articles of Confederation
  - largely useless since Congress did not have the power to coin money
- \_\_\_\_\_ 31. Alexander Hamilton's plan to help establish a national economy included proposals for:
- forgiveness of debt, a national bank, and a tax on manufacturing
  - a national sales tax, a national bank, and a system of interstate roads
  - assumption of debt, import tariffs, and a national bank
  - a tax on agricultural products, a system of interstate roads, and a national bank
- \_\_\_\_\_ 32. A major issue that led to the War of 1812 was:
- the British purchase of New Orleans
  - the British embargo against American goods
  - British insistence on American payment of debt from the Revolutionary War
  - British interference with American sea trade
- \_\_\_\_\_ 33. Economic downturns in the nineteenth century that we call recessions were then called:
- |             |                  |
|-------------|------------------|
| a. voodooos | c. bank runs     |
| b. panics   | d. disincentives |
- \_\_\_\_\_ 34. Two major issues in monetary policy in the last half of the nineteenth century were:
- the use of paper money (greenbacks) and the coining of silver
  - the creation of a national bank and the constant rise in agricultural prices
  - the redemption of Confederate money and the creation of the Treasury Department
  - the depression caused by electric lights and the failure of railroads
- \_\_\_\_\_ 35. A major economic problem during the 1970s was:
- |                      |                                      |
|----------------------|--------------------------------------|
| a. a lack of imports | c. too many tax cuts                 |
| b. inflation         | d. the failure of dot-com businesses |

Consider the production possibilities curve below and answer the questions that follow.



- \_\_\_\_\_ 36. The production possibilities curve or frontier is:
- what a frontier economy could produce
  - the minimum production of which an economy is capable
  - the maximum production that an economy can have given its production resources
  - an illustration of all of the production resources used in an economy
- \_\_\_\_\_ 37. If new technology enables greater production, the curve will:
- become a straight line
  - shift to the left or inward
  - remain in the same place
  - shift to the right or outward
- \_\_\_\_\_ 38. If the people in this economy decide to produce mostly one item and few of the other, this decision is an example of:
- marginal production
  - human resources
  - production capital
  - opportunity cost
- \_\_\_\_\_ 39. The consequence you must accept when you make a decision is called a:
- tradeoff
  - corporation
  - economy of scale
  - margin
- \_\_\_\_\_ 40. In the circular-flow diagram presented in Lesson 2:
- households provide wages and salaries for businesses
  - all economic activity flows through the government
  - international trade is rarely a factor
  - businesses provide goods and services and households provide expenditures for consumption

- \_\_\_\_\_ 41. In the circular-flow diagram, the money that the government collects in taxes:
- is a form of wealth creation
  - is completely lost to the economy
  - is partly used to pay government workers, who become consumers
  - cannot be used to provide services to people
- \_\_\_\_\_ 42. An economy:
- is always changing
  - rarely changes
  - changes only during a recession
  - changes only when recovering from a recession
- \_\_\_\_\_ 43. Choices are necessary in an economy because of:
- a lack of planning
  - people have too much money
  - consumer preferences
  - scarcity of resources
44. (3 points) Economics is concerned with the description and analysis of the \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ of goods and services.
45. (3 points) The three kinds of economies that are generally identified are:
- - 
  -
46. (3 points) The three categories of production resources (or factors of production) are:
- - 
  -

Match the economic term with its correct definition (1 point each).

- |                      |   |
|----------------------|---|
| 47. _____ Efficiency | a. Increased productivity in an economy                 |
| 48. _____ Equity     | b. Avoidance of or protection from boom and bust cycles |
| 49. _____ Stability  | c. Goods and services shared as equally as possible     |
| 50. _____ Security   | d. People in an economy being as productive as possible |
| 51. _____ Growth     | e. Guaranteed access to the necessities of life         |

## Unit 6

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### Lesson 26

1. What is a market?
2. Give an example of how markets are interrelated.
3. Define: capital goods, producer goods, consumer goods, and durable goods.
4. What are three functions that markets serve in the economy?
5. Define: perfect competition, monopoly, monopolistic competition, and natural monopoly.
6. Define: oligopoly, monopsony, and oligopsony.
7. Define: collusion, cartel, and boycott.
8. How does Walter Williams say that income is earned in a free society?
9. What two factors determine whether an entrepreneur makes a profit?
10. What does "Williams' law" state?

### Lesson 27

Create supply and demand schedules and draw a graph with the corresponding supply and demand curves for spiral bound notebooks. Be sure to put price and quantity on the correct axes and label them. Label the supply and demand curves. Use this information:

Supply: at \$.25 each, none supplied; at \$.50 each, 100 supplied; at \$.75 each, 200 supplied; at \$1.00 each, 300 supplied; at \$1.25 each, 400 supplied.

Demand: at \$.25 each, 400 demanded; at \$.50 each, 300 demanded; at \$.75 each, 200 demanded; at \$1.00 each, 100 demanded; at \$1.25 each, none demanded.

Label the areas of the graph that indicate surplus and shortage. Label the equilibrium.

1. What is the equilibrium or market-clearing price?
2. What is the equilibrium or market-clearing quantity?

### Lesson 28

1. What are some ways that price is a factor in an economy?
2. What is a price maker, and what is a price taker?
3. What is a relative price?
4. How has most of America's wealth and economic strength come about?
5. What is price discrimination?
6. What is a price ceiling? Give an example.
7. What is a price floor? Give an example.
8. John Davenport says that the market requires a framework of what?
9. What are the two basic ways to allocate resources that Davenport describes?
10. Davenport says that "you do your thing and I'll do mine" is really an invitation to what?

## Lesson 29

1. How does a change in price affect supply?
2. In what ways does demand change?
3. When price changes, how does the demand curve on a graph change?
4. When a factor other than price changes, how does the demand curve change?
5. What is price elasticity of demand?
6. What is cross-price elasticity of demand?
7. What is income elasticity of demand?
8. What is price elasticity of supply?
9. What is the economic meaning of the term sticky?
10. What are menu costs?

## Lesson 30

1. What is market failure?
2. How does a monopoly cause market failure?
3. How do taxes cause market failure?
4. How do price and quantity regulations cause market failure?
5. How do externalities cause market failure?
6. Why does a failure to enforce property rights cause market failure?
7. What are public goods?
8. In what sense do public goods reflect market failure?
9. How did Communist central planners create market failure?
10. What do we need to keep in mind regarding markets and an uncertain economy?

## Unit 6 Quiz

### Matching

- |                                     |   |
|-------------------------------------|---|
| _____ 1. Perfect competition        | A. Creates a surplus                                      |
| _____ 2. Oligopsony                 | B. As price increases, demand falls                       |
| _____ 3. Law of demand              | C. Demand increases when price for another good increases |
| _____ 4. Law of supply              | D. Many sellers and buyers                                |
| _____ 5. Relative price             | E. How much demand changes when price changes             |
| _____ 6. Price floor                | F. Resources not allocated efficiently                    |
| _____ 7. Price elasticity of demand | G. Only a few major buyers                                |
| _____ 8. Substitute good            | H. As price increases, production increases               |
| _____ 9. Market failure             | I. Can be used by more than one person at a time          |
| _____ 10. Public goods              | J. Price of one item expressed as the price of another    |

## Unit 7

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### Lesson 31

1. What determines the real value of money?
2. What does it mean that money is a “medium of exchange”?
3. How is money a representation of value?
4. How does money serve as a store of value?
5. How is money a unit of accounting?
6. What is commodity money?
7. What is fiat currency?
8. Warren Brookes says that our economy is moving from industrial-based to what?
9. How did Joseph Schumpeter define economic activity?
10. What does Brookes say will be the consequences for the nations of the West without the renewal of individual values and without standards and discipline?

### Lesson 32

1. What services do banks render?
2. What are the benefits of saving?
3. What term describes how banking activity creates wealth?
4. What is fractional reserve banking?
5. What is credit?
6. What is the FDIC and how does it help individual depositors?
7. What is the term used for the price of money?
8. What is the difference between nominal interest rates and real interest rates?
9. Create a T-accounts chart to show the assets and liabilities of Quickbuck Bank based on these transactions:

Depositor A deposits \$1,500 into a new savings account.

Borrower B takes out a loan for \$1,200.

Checker C opens a checking account with \$1,000.

Borrower D receives a loan for \$800.

- If the reserve requirement is 10%, how much more can the bank lend and still meet the reserve requirement?
10. Based on Scripture, do you believe that banks should charge interest? Explain your answer.

### Lesson 33

1. What is the simplest form of investment?
2. What is a bond?
3. What are the two most common kinds of bonds?
4. What does a person buy when he buys a share of stock?
5. Who gets paid first: bondholders or stockholders?

6. What are mutual funds?
7. What is a hedge fund?
8. What is leverage?
9. What are capital gains?
10. Do you believe that receiving an investment is a form of borrowing? Who takes the risk in such a situation: the investor or the one receiving the investment?

### Lesson 34

1. What is inflation?
2. What did Milton Friedman say causes inflation?
3. In what two ways did the Federal government pay for its increasing expenditures in the 1960s and 1970s?
4. What is stagflation?
5. What is demand-pull inflation?
6. What is cost-push inflation?
7. What is purchasing power?
8. In the interview with Milton Friedman, how does Friedman describe health care?
9. What does Friedman say caused the Great Depression?
10. What is Friedman's position on school vouchers?

### Lesson 35

1. When did the Federal Reserve System begin operations?
2. The creation of the Fed was largely in response to what?
3. How is the Fed overseen?
4. Who oversees the Fed's open market operations?
5. How many regional banks are in the Federal Reserve System?
6. What are the Fed's four areas of responsibility?
7. The Fed is a \_\_\_\_\_ bank and the \_\_\_\_\_ bank.
8. What are the three tools that the Fed uses to accomplish its goals and manage monetary policy?
9. What is the Federal funds rate?
10. How do the Fed's open market operations work?



## Unit 7 Quiz

### Matching

- |                                  |   |
|----------------------------------|---|
| _____ 1. Liquidity               | A. Certificate of indebtedness                  |
| _____ 2. Fiat currency           | B. General increase in prices                   |
| _____ 3. Fractional reserve      | C. Ability to buy goods and services            |
| _____ 4. Interest                | D. What banks are charged for loans             |
| _____ 5. Bond                    | E. The price of money                           |
| _____ 6. Mutual fund             | F. The ease of turning an asset into money      |
| _____ 7. Inflation               | G. Buying and selling Federal securities        |
| _____ 8. Purchasing power        | H. Loaning out most of its money                |
| _____ 9. Discount rate           | I. Given value by declaration of the government |
| _____ 10. Open market operations | J. Investment company                           |

## Unit 8

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### Lesson 36

1. What is trade?
2. How is a nation's trading activity measured?
3. What is a trade deficit?
4. What is a trade surplus?
5. What are some benefits of international trade?
6. Who is helped and who is hurt by exports? Who is helped and who is hurt by imports?
7. How are countries helped by specialization and trade?
8. What is opportunity cost?
9. What is comparative advantage?
10. What is absolute advantage?

### Lesson 37

1. What are trade barriers?
2. What is protectionism?
3. What is an import tariff?
4. What are arguments for and against import tariffs?
5. What is an import quota?
6. What are trade sanctions?
7. What are subsidies?
8. What benefit does George Gilder see in the U.S. trade deficit?
9. What does Yoshiji Nogami say about American concepts of fairness?
10. What does Edward Hudgins say about protectionism?

### Lesson 38

1. What are some benefits of free trade?
2. What new pattern of trade did Franklin Roosevelt begin?
3. What trade agreement was developed after World War II?
4. Of what was this agreement a forerunner?
5. What is MFN or PNTR status?
6. What is fair trade?
7. What are factors that increase trade?
8. What does Murray Weidenbaum say is the only way to increase exports in the long run?
9. What does Weidenbaum say a trade restraint to help an industry really is?
10. What four positive strategies does Weidenbaum say the United States should take?

### Lesson 39

1. What are two typical forms of foreign investment?
2. How do American investments in other countries help those countries?
3. As of 2009, what two countries held the most U.S. Treasury securities?

4. What are the two main reasons why the U.S. developed a trade deficit?
5. We pay for our imports with our \_\_\_\_\_ or by \_\_\_\_\_.
6. When a company moves production to another country, that move changes the competitive dynamics in that industry with regard to what?
7. How is trade a two-way street?
8. How is trade a win-win transaction?
9. How are there some losers as a result of international trade?
10. What are three ways the government provides assistance to help the people referred to in Question 9?

## Lesson 40

1. What is a currency exchange rate?
2. How are currency exchange rates determined?
3. What is the practical impact of a cheaper or more expensive dollar for foreigners?
4. How do businesses make purchases of products from other countries?
5. How do U.S. interest rates affect currency exchange rates?
6. How might domestic events within a country affect the price for that nation's currency in international markets?
7. What is the equilibrium exchange rate?
8. What is the real exchange rate?
9. What two steps was China allegedly taking in 2009 to keep its currency value artificially low?
10. What was the practical effect of this policy?

## Unit 8 Quiz

- \_\_\_\_\_ 1. The situation in which one producer has a smaller opportunity cost of producing a good or service compared to another producer is called:
- a. absolute advantage
  - b. comparative advantage
  - c. equilibrium rate
  - d. nominal advantage
- \_\_\_\_\_ 2. The situation in which one person or country can produce goods with a smaller input of resources than another is called:
- a. absolute advantage
  - b. comparative advantage
  - c. real equilibrium rate
  - d. opportunity cost
- \_\_\_\_\_ 3. A restriction on the amount of goods that can be brought into a country for sale is a:
- a. tariff
  - b. quota
  - c. sanction
  - d. levy
- \_\_\_\_\_ 4. An order forbidding citizens from trading with another country is called a:
- a. tariff
  - b. quota
  - c. sanction
  - d. subsidy
- \_\_\_\_\_ 5. The status in which a nation is given all of the trade advantages that other nations receive is called:
- a. GATT
  - b. WTO
  - c. AFL-CIO
  - d. PNTR
- \_\_\_\_\_ 6. Better communication, better transportation, and lower transaction costs will usually:
- a. give a country an absolute advantage over other countries
  - b. create trade barriers with other countries
  - c. cause less investment in a country
  - d. increase a country's international trade
- \_\_\_\_\_ 7. If an American company builds a factory in another country:
- a. it will usually pay lower wages than what other workers in that country receive
  - b. a company from the other country will likely build a factory in the United States
  - c. the other country will likely erect trade barriers against the United States
  - d. the investment will likely help that other country to grow economically
- \_\_\_\_\_ 8. A general rule of international trade is:
- a. if we want to export, we have to import
  - b. American exports are paid for by American buyers
  - c. moving production offshore usually does not cost Americans their jobs
  - d. the current account must equal the capital account
- \_\_\_\_\_ 9. The price of one country's currency expressed in terms of another country's currency is the:
- a. tariff exchange rate
  - b. currency exchange rate
  - c. currency market
  - d. equilibrium exchange rate
- \_\_\_\_\_ 10. The rate of exchange for goods and services between one country and another is the:
- a. nominal exchange rate
  - b. tariff exchange rate
  - c. real exchange rate
  - d. depressed exchange rate

## Unit 9

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### Lesson 41

1. What are some reasons why someone might start a business?
2. What is the most common form of business organization in the United States?
3. How do partners in a partnership share profits and bear obligations?
4. What form of business organization involves a charter, a board of directors, and officers?
5. What is the name of the small parts of a corporation that give owners the right to vote on corporate matters and to receive portions of the profits that the corporation makes?
6. What are an LLC and a PC?
7. What is a 501(c)(3) organization?
8. What product did Dan Gerber develop?
9. Who improved lubrication on locomotive engines?
10. What are some traits that the Michigan entrepreneurs described by Burton Folsom have in common?

### Lesson 42

1. Small businesses generally have less than \_\_\_\_ employees.
2. What are some advantages of owning a small business?
3. What are some disadvantages of owning a small business?
4. How is a franchise set up?
5. What is the impact of small businesses on job creation in the United States?
6. What is the major breaking point in time that indicates long-term success for a business?
7. What is the term used for someone who starts a new business, develops a new product, or is creative or visionary in how he operates a business?
8. John Sloan says that small firms provide truly \_\_\_\_\_.
9. What large corporation headed by Lee Iacocca asked the Federal government for assistance?
10. Small businesses disperse economic \_\_\_\_\_-\_\_\_\_\_ within our society.

### Lesson 43

1. What should be the first step in starting a business?
2. What is the main source of revenue for a company?
3. What is the E-Myth?
4. What are some aspects of determining the market for a product or service?
5. What are some costs that a business has?
6. What are some ways that a business can reach customers?
7. What is a USP?
8. What are some questions that someone starting a business needs to answer?
9. What are some things that a business owner should not fear?
10. What are some key factors in the success or failure of a business?

## **Lesson 44**

1. What is profit?
2. How does the possibility of profit serve as motivation?
3. How is revenue calculated?
4. Over what factor of revenue does a producer have most control?
5. What is the difference between accounting profit and economic profit?
6. What is the difference between fixed costs and variable costs?
7. What is the law of diminishing marginal returns?
8. What is the average marginal cost and what does it help to determine?
9. Define a deadweight loss and give two examples.
10. Do you believe that profit can be excessive? Explain your answer.

## **Lesson 45**

1. What are the four key elements of a business cycle?
2. How is a business cycle defined?
3. What is another term for business cycle?
4. Why do some economists not like the term business cycle?
5. Give two examples of how a business cycle recession can begin.
6. Give two examples of how a business cycle expansion can begin.
7. What did Milton Friedman believe caused economic fluctuations?
8. What does the Austrian School of Economics say causes recessions?
9. Why do economic fluctuations appear to be inevitable?
10. What are some positive outcomes that can result from economic fluctuations?

## Unit 9 Quiz

### Matching

- |  |   |
|--|---|
| _____ 1. Sole proprietorship                 | A. If a person is good at one aspect of a business, he will be good in all areas of a business. |
| _____ 2. Corporation                         | B. Considers opportunity cost as a real cost of business  |
| _____ 3. Small businesses                    | C. Economic fluctuation   |
| _____ 4. Entrepreneur                        | D. Involves charter, board of directors, and shares of stock                                    |
| _____ 5. E-Myth                              | E. Reduction in efficiency  |
| _____ 6. USP                                 | F. Create 60-80% of new jobs in the U.S.  |
| _____ 7. Economic profit                     | G. Productivity of an input decreases as quantity of the input increases                        |
| _____ 8. Law of diminishing marginal returns | H. The most common form of business organization in the U.S.                                    |
| _____ 9. Deadweight loss                     | I. Starts a business, develops a product, dreams a dream  |
| _____ 10. Business cycle                     | J. What your product offers that can't be found elsewhere                                       |

## Unit 10

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### Lesson 46

1. What is the role of labor in the economy?
2. How do business and labor depend on each other?
3. What is the definition of the labor force in the United States?
4. Are women or men more numerous in the U.S. labor force?
5. What are the terms used for the price of labor?
6. What is the term for the intersection of the labor supply curve and the labor demand curve?
7. What is the relationship between higher wages and hiring workers?
8. What causes changes in the labor supply?
9. What are some reasons why a person decides to become a worker or to work at a particular job?
10. What increases the value of labor capital?

### Lesson 47

1. What is meant by the terms white collar jobs and blue collar jobs?
2. Which of the two categories has grown in recent years?
3. What percentage of the working population considers itself to be self-employed?
4. What are some factors that have influenced the trend of more women being in the labor force?
5. How have immigrants historically had an impact on the growth of the American economy?
6. What is the difference between substitute labor and complementary labor?
7. What are three ways that discrimination has a negative effect on society and the economy?
8. According to Robert Sirico, the Marxist prediction of a socialist revolution rested on what erroneous assumption?
9. What have most socialists done about their position in the face of the failure of socialism in many parts of the world?
10. How does Sirico say that the socialist goal of economic betterment has been accomplished for most people?

### Lesson 48

1. What is collective bargaining?
2. What are closed shop and open shop (or right to work) states?
3. What factors have contributed to a decreasing rate of union membership among American workers?
4. What are the largest and strongest unions currently?
5. What has been the effect of labor unions on wage rates?
6. How have unions affected non-union wages?
7. What was the general position of unions toward blacks through the 1940s?
8. Where does Ernest van den Haag say the money for higher wages comes from?
9. How do unions monopolize or restrict the supply of labor?



10. What does van den Haag believe about strikes by government workers or public service employees?

### **Lesson 49**

1. What is the difference between a wage and a salary?
2. What are some advantages and disadvantages of each kind of pay?
3. What is productivity?
4. What is the difference between functional distribution of income and personal or household distribution of income?
5. What is a common way that economists break down household income?
6. In 2007, what percentage of all national income did the 20% of households with the highest income earn?
7. In 2007, what percentage of all individual income taxes did the 20% of households with the highest income pay?
8. What is a minimum wage?
9. What are some arguments in favor of a minimum wage?
10. What are some arguments against a minimum wage?

### **Lesson 50**

1. What does the level of employment in an economy indicate?
2. What is frictional unemployment?
3. What is structural unemployment?
4. What is seasonal unemployment?
5. What is cyclical unemployment?
6. What is classical unemployment?
7. How is the rate of unemployment calculated?
8. What is the generally accepted range of the natural rate of unemployment?
9. What is underemployment?
10. What is meant by discouraged workers?

## Unit 10 Quiz

- \_\_\_\_\_ 1. The price for labor is called:
- a. equilibrium
  - b. margin
  - c. wages or salary
  - d. aggregate supply
- \_\_\_\_\_ 2. Investment in training and education improves the:
- a. worth or quality of labor capital
  - b. labor equilibrium
  - c. aggregate labor supply
  - d. aggregate labor demand
- \_\_\_\_\_ 3. In recent years, the percentage of the work force made up of women has:
- a. increased
  - b. decreased
  - c. remained about the same
  - d. not been calculated
- \_\_\_\_\_ 4. A work force organized on the basis of discrimination:
- a. allows people without economic power to gain strength
  - b. is more productive
  - c. is a good example of a truly free market economy
  - d. leads to a misallocation of resources
- \_\_\_\_\_ 5. In closed shop states:
- a. no more workers can be hired
  - b. only union members can be hired in some industries
  - c. no businesses can be started to compete with existing businesses
  - d. only non-union workers can be hired in some industries
- \_\_\_\_\_ 6. Unions have on the whole:
- a. decreased wages but increased the number of workers hired
  - b. had little impact on wage and employment levels
  - c. increased wages but decreased the number of workers hired
  - d. been welcomed and encouraged by business owners throughout American history
- \_\_\_\_\_ 7. In 2007, the 20% of American households with the highest income earned:
- a. 20% of all national income and paid 20% of all individual income taxes
  - b. over half of all national income and paid over 80% of all individual income taxes
  - c. 80% of all national income and paid 20% of all individual income taxes
  - d. one-third of all national income and paid two-thirds of all individual income taxes
- \_\_\_\_\_ 8. The negative effects of minimum wage laws apparently fall hardest on:
- a. women
  - b. black teen males
  - c. union workers
  - d. older workers
- \_\_\_\_\_ 9. Frictional unemployment refers to:
- a. people who are laid off from temporary jobs
  - b. people who do not have the training that employers need
  - c. people who are not working as a result of a downturn in a business cycle
  - d. people who have not had the time to find a job
- \_\_\_\_\_ 10. The natural rate of unemployment is estimated to be approximately:
- a. 1-3%
  - b. 1-5%
  - c. 6-10%
  - d. 8-10%

## Second Exam (Units 6-10)

On the following four pages, write the word or phrase in the blank on the left that matches each description on the right. For each page, choose from the list of twelve terms at the top. Each page has two terms which do not fit in any blank on that page. Two points each (100 points total).

business cycle  
child labor  
closed shop laws  
international trade  
law of demand  
markets

price ceiling  
price of labor  
real exchange rate  
reasons businesses succeed or fail  
Say's Law  
sole proprietorship

- |           |   |
|-----------|---|
| 1. _____  | when the price of a good or service rises, demand falls                         |
| 2. _____  | creates a shortage  |
| 3. _____  | Bob's Plumbing Service, for example   |
| 4. _____  | expansion, peak, recession, trough  |
| 5. _____  | the rate of exchange for goods and services between one country and another     |
| 6. _____  | accomplish the allocation of resources, determine prices                        |
| 7. _____  | require that in certain industries, workers have to be members of a labor union |
| 8. _____  | management, planning, money, location, overexpansion                            |
| 9. _____  | wages and salary  |
| 10. _____ | supply creates its own demand for what is produced                              |

absolute advantage  
 cause market failures  
 determinants of supply  
 factors of production  
 inflation  
 interest

marginal analysis  
 money  
 price floor  
 securities  
 unemployment  
 variable costs

11. \_\_\_\_\_ when one person or country can produce goods with a smaller input of resources than another
12. \_\_\_\_\_ study of factors that lead to a change in business behavior
13. \_\_\_\_\_ the price of money
14. \_\_\_\_\_ price of the good, disposable income, price of resources
15. \_\_\_\_\_ a medium of exchange
16. \_\_\_\_\_ monopolies, taxes, regulations
17. \_\_\_\_\_ frictional, structural, seasonal, cyclical
18. \_\_\_\_\_ expenses that change depending on the amount of production taking place
19. \_\_\_\_\_ a broad term used to encompass stocks, bonds, and other financial investments
20. \_\_\_\_\_ creates a surplus

corporation  
deadweight loss  
discount rate  
factors that increase trade  
functional distribution of income  
inflation

influx  
law of supply  
multiple-deposit expansion  
mutual funds  
price  
production possibility

- 21. \_\_\_\_\_ how banks use deposits to make loans and thus enable more buying and selling of goods and services
- 22. \_\_\_\_\_ a separate entity from the owners and directors, is chartered, has a board of directors
- 23. \_\_\_\_\_ better communication, better transportation, lower transaction costs
- 24. \_\_\_\_\_ investment companies that offer shares to the public
- 25. \_\_\_\_\_ as the price for a product or service increases, production will increase
- 26. \_\_\_\_\_ a measure of income among different businesses and occupations in the economy
- 27. \_\_\_\_\_ the interest that the Fed charges banks for loans of its funds
- 28. \_\_\_\_\_ a change in it causes a shift along the supply or demand curve
- 29. \_\_\_\_\_ a general increase in prices for goods and services
- 30. \_\_\_\_\_ a reduction in efficiency that leads to a loss in profit or a loss to society

complementary goods  
 derived demand  
 dividend  
 economic profit  
 fiat currency  
 fractional reserve banking

open market operations  
 price elasticity of demand  
 root cause of inflation  
 small business  
 stock market  
 trade restrictions

31. \_\_\_\_\_ the practice of loaning out the majority of the money that a bank has on deposit
32. \_\_\_\_\_ demand by a producer for a factor of production that occurs as a result of the production of another product or service
33. \_\_\_\_\_ money that has value by the declaration of a nation's government that the money is legal tender
34. \_\_\_\_\_ determined by subtracting the opportunity cost as well as the ledger costs from the revenue
35. \_\_\_\_\_ the buying and selling of U.S. Treasury bonds and other Federally-issued securities by the Federal Reserve
36. \_\_\_\_\_ goods that are commonly bought together, so much so that a change in price for one product leads to a change in demand for the other
37. \_\_\_\_\_ when the quantity of money rises more rapidly than the output of goods and services
38. \_\_\_\_\_ a measure of how much demand changes in response to changes in price
39. \_\_\_\_\_ accounts for 60-80% of new jobs each year in America
40. \_\_\_\_\_ tariffs, quotas, sanctions, subsidies

capital gains  
 comparative advantage  
 currency exchange rate  
 earned income  
 law of diminishing marginal returns  
 law of supply and demand

liquidity  
 minimum wage  
 public goods  
 real interest rates  
 ridiculously difficult  
 supply or demand curve shifts

41. \_\_\_\_\_ goods and services that can be used by more than one person at a time
42. \_\_\_\_\_ when one producer has a smaller opportunity cost of producing a good or service compared to another producer
43. \_\_\_\_\_ the price of one country's currency expressed in terms of another country's currency
44. \_\_\_\_\_ when a factor other than price changes
45. \_\_\_\_\_ the ease with which an asset can be turned into money
46. \_\_\_\_\_ the increase in value of capital assets
47. \_\_\_\_\_ the price of a product or service adjusts to bring supply and demand into balance
48. \_\_\_\_\_ price floor on wages
49. \_\_\_\_\_ the productivity of an input decreases as the quantity of the input increases
50. \_\_\_\_\_ this exam

*extra credit activity on next page*

## Extra Credit (10 points)

## The Prisoner's Dilemma Game

Lefty and Bugsy were arrested and charged with the armed robbery of a bank. They were kept in separate cells. Each suspect was questioned (with his attorney present), and the district attorney made this proposal to each man:

"If you remain silent, we can convict you of an illegal weapons charge and you'll get one year in prison. We might convict you of the bank robbery and you'll get twenty years. If you confess and implicate your partner, we will drop all charges against you; and your partner will get twenty years if he's convicted. But we're making the same offer to your partner. If you both confess, we can convict you both and you'll each get ten years in prison."

The options and the possible outcomes that the two suspects face can be illustrated in the chart below.

		Lefty	
		Stay Silent	Confess
Bugsy	Stay Silent	Lefty gets 1 year, Bugsy gets 1 year	Lefty goes free, Bugsy gets 20 years
	Confess	Lefty gets 20 years, Bugsy goes free	Lefty gets 10 years, Bugsy gets 10 years

Each suspect has four possible outcomes: go free, serve one year, serve ten years, or serve twenty years. Each suspect has an influence on what happens to him; but the outcome is also dependent on what the other suspect does, and neither will know what the other decides to do. Even if the two suspects had made an agreement on what they would do if they were caught, neither is sure that he can trust his accomplice to keep their agreement.

What should each suspect do? Should he just look out for himself, or should he try to cooperate with his partner? What is the cost-benefit analysis that each prisoner should do for each option?

One application of the prisoner's dilemma game is in showing how difficult it is for a cartel to accomplish the goal of cooperation when each partner weighs his self-interest against the interests of the cartel.

## Sources:

1. Steven Kuhn, "Prisoner's Dilemma", *The Stanford Encyclopedia of Philosophy* (Spring 2009 Edition), Edward N. Zalta, ed., <http://plato.stanford.edu/archives/spr2009/entries/prisoner-dilemma/>, retrieved November 16, 2009
2. N. Gregory Mankiw, *Principles of Economics* (Fort Worth: The Dryden Press, 1998), pp. 345-354



## Unit 11

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### Lesson 51

1. What is an example of how people differ over the goals of Federal economic policy?
2. What basic principle has guided the American economy?
3. What are some examples of how the Federal government has become involved in the economy?
4. When is government intervention in the economy justified?
5. Economic policy is made up of what two elements?
6. How is Congress involved in economic policy?
7. What does the Congressional Budget Office do?
8. What is the Council of Economic Advisors?
9. What Cabinet department is most involved with Federal economic policy?
10. What are the four kinds of securities that the Bureau of the Public Debt sells?

### Lesson 52

1. What are four goals of Federal economic policy?
2. Why do some policies whose economic costs outweigh their economic benefits become law and remain in force?
3. What kind of policies do political leaders like?
4. What are some examples of how government has intervened in the economy as a result of market failure?
5. How do subsidies and taxes differ in purpose and effect?
6. What are four public goods that government provides?
7. How do government programs redistribute wealth?
8. What are two other terms that are used to describe programs of income support and redistribution?
9. What program replaced the previous welfare program in 1996?
10. What program replaced the food stamp program?

### Lesson 53

1. What is the source for the thousands of pages of government regulations?
2. Regulations are a limitation on \_\_\_\_\_, but they are put in place in the name of \_\_\_\_\_.
3. How do regulations generally affect prices?
4. This lesson describes the deregulation of what two industries?
5. What was the result of these two programs of deregulation?
6. What was the purpose of the Americans with Disabilities Act?
7. Do you believe that government regulation is more effective than self-regulation in a free market in which producers and consumers police themselves? Explain your answer.
8. Do you believe that the government should seek to protect us from ourselves? Explain your answer.
9. To what extent do you believe that government regulations actually protect consumers?
10. What is a key issue in determining whether a regulation is necessary or burdensome?

## Lesson 54

1. What are three purposes of taxes?
2. In 2008, what was the largest single source of Federal revenue?
3. What does the term progressive tax mean?
4. What does the term regressive tax mean?
5. Do you believe that it is better to tax income, consumption, or savings? Explain your answer.
6. Do you believe that a flat tax would stimulate economic growth? Explain your answer.
7. What is a Pigovian tax?
8. How did Walter Williams, in pursuing his self-interest, help future generations?
9. What does Williams say that taxes represent?
10. What constitutional amendment does Williams propose?

## Lesson 55

1. What are the two broad categories of Federal spending?
2. What is the multiplier effect?
3. What is the meaning of the Federal deficit?
4. What is the meaning of the national debt?
5. What is the crowding out effect?
6. What is needed to reduce or eliminate deficits and the debt?
7. What has become an accepted standard among politicians for how large the deficit should be?
8. What does James Buchanan say is the generally accepted linkage between borrowing money and the obligation to repay what is borrowed?
9. How does deficit spending by government violate this linkage?
10. What two circumstances have commonly been accepted as valid reasons for financing government spending by borrowing?

## Unit 11 Quiz

- \_\_\_\_\_ 1. Government intervention in the economy:
- is usually justified when the benefit outweighs the cost
  - only happens through congressional committees
  - only happens through the courts
  - is more typical than economic freedom in American tradition
- \_\_\_\_\_ 2. Economic policy can be divided into:
- budgetary policy and deficit policy
  - congressional policy and executive policy
  - tax policy and spending policy
  - monetary policy and fiscal policy
- \_\_\_\_\_ 3. The Treasury Department finances the public debt by:
- raising interest rates
  - printing less money
  - selling government-issued securities
  - buying corporate bonds
- \_\_\_\_\_ 4. Taxing polluters and subsidizing ethanol are examples of government:
- opening up new possibilities for private industry
  - refraining from intervening in the economy
  - correcting for market failure
  - creating competition for private enterprise
- \_\_\_\_\_ 5. Security, infrastructure, and education are examples of government:
- withdrawing services offered to the public
  - providing public goods
  - giving in to market failure
  - redistributing wealth
- \_\_\_\_\_ 6. Economists call government programs of income support and redistribution:
- class taxes
  - transfer payments
  - debt financing
  - retirement and disability payments
- \_\_\_\_\_ 7. Government regulations:
- usually save the government money
  - limit the free market but are carried out in the name of the public welfare
  - push prices for products and services below the equilibrium price
  - are also called entitlements
- \_\_\_\_\_ 8. Taxes are used:
- to raise revenue
  - to influence behavior
  - to redistribute wealth
  - all of the above
- \_\_\_\_\_ 9. A tax for which the percentage to be paid increases as income rises is called:
- a progressive tax
  - a regressive tax
  - a transfer tax
  - an excise tax
- \_\_\_\_\_ 10. The relationship of the Federal deficit to the national debt is:
- the national debt causes the Federal deficit
  - the national debt is the accumulation or total of annual Federal deficits
  - obscured by the gross domestic product
  - increased by the multiplier effect

## Unit 12

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### Lesson 56

1. What is the gross domestic product?
2. What is the gross national product?
3. What two ways can the GDP be calculated?
4. What is considered a healthy annual rate of growth in the GDP?
5. What is the difference between the nominal GDP and the real GDP?
6. What is purchasing power parity (PPP)?
7. What are some factors that the GDP does not show?
8. What is Patrick Toomey's basic argument about the overall, long-term trend of the American economy?
9. What does Toomey cite as the three most important forms that the expansion of economic freedom has taken in recent years?
10. How did Toomey see both major political parties failing in their rhetoric during the election year of 2008?

### Lesson 57

1. What are the three most important macroeconomic variables?
2. What is the Consumer Price Index (CPI)?
3. What is the basis for the CPI?
4. What are some limitations of the CPI?
5. How is unemployment measured?
6. What correlation did Arthur Okun find between changes in the real GDP and in the unemployment rate?
7. What is the Leading Economic Index (LEI)?
8. What are two other kinds of economic indicators?
9. Why is unemployment a lagging indicator?
10. What are some other assessments that measure economic activity?

### Lesson 58

1. What is a stock market?
2. What is the largest actual stock market in the world?
3. What are said to be the two main emotions driving the buying and selling of stocks?
4. What is the most reliable way for non-professionals to invest in the stock market?
5. What is the Dow Jones Industrial Average?
6. What is the NASDAQ?
7. What is the S&P 500?
8. What is a commodities exchange?
9. What is a futures contract?
10. How is the stock market a good indicator of economic activity, and how is it an incomplete indicator of economic activity?

## Lesson 59

1. What are two reasons why recessions are a major topic of discussion?
2. What is the traditional definition of a recession?
3. Why do many economists not like this definition?
4. What group declares when a recession begins and ends?
5. How does this group define a recession?
6. What is the average length of a recession since World War II?
7. What has been the trend since World War II regarding the length of time between economic troughs?
8. How was the recession that began in December 2007 determined?
9. What is the NBER definition of a depression?
10. What are some commonly accepted guidelines for determining a depression?

## Lesson 60

1. What was the total net household worth of the United States population in 2009?
2. What was the average personal worth and the average personal income of Americans in 2009?
3. What did Mollie Orshansky determine as the official guideline for defining poverty?
4. What percentage of the U.S. population lived in poverty in 2009?
5. What was the trend of income in the first decade of the twenty-first century?
6. What are two major factors that contribute to a household being poor?
7. Are the poor poor because the rich are rich? Explain your answer.
8. What event led Steve Mariotti to go into teaching?
9. What event opened the door for Mariotti to teach entrepreneurship to low-income youths?
10. What is the two-fold plan of NFTE?

## Unit 12 Quiz

### Matching

- |                   |   |
|-------------------|---|
| _____ 1. GDP      | A. Information about ten areas of the economy compiled to forecast future economic activity |
| _____ 2. CPI      | B. World's largest actual stock market  |
| _____ 3. LEI      | C. Often a result of not working much and the father being absent                           |
| _____ 4. NYSE     | D. Second most widely followed stock index in the U.S.                                      |
| _____ 5. NASDAQ   | E. Contract to buy at a specified time in the future for a price set today                  |
| _____ 6. DJIA     | F. Basis is a market basket of goods and services   |
| _____ 7. S&P 500  | G. Electronic stock market  |
| _____ 8. Futures  | H. Source of the most widely accepted determination of when recessions begin and end        |
| _____ 9. NBER     | I. Based on a formula analyzing the value of thirty stocks                                  |
| _____ 10. Poverty | J. Market value of a nation's total domestic output of all final goods and services         |

## Unit 13

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### Lesson 61

1. What fraction of the U.S. gross domestic product is devoted to health care?
2. What fraction of the Federal budget goes to health care?
3. What percentage of the population is covered by employer-based health insurance?
4. What is the moral hazard of health insurance?
5. What is a third-party payer form of health coverage?
6. What are the four main health care issues outlined in this lesson?
7. What do you believe is a key problem in health care and the best solution for it?
8. What is the impending problem that John Goodman describes?
9. What is Goodman's three-fold plan to help Medicare?
10. What are some suggestions that Goodman makes for market-based health care solutions?

### Lesson 62

1. What was the original intention of Social Security?
2. How are Social Security retirement benefits calculated?
3. What is supposed to happen if Social Security payments exceed revenue?
4. What are three reasons why Social Security is facing disaster?
5. What should each generation be able to understand about its contributions to Social Security?
6. What are the three elements of the Medicare program?
7. What was the estimated cost for Medicare in 2009?
8. How were these expenses paid?
9. What does it mean that Medicare is a fee-for-service program?
10. Why is Medicare insulated from market forces?

### Lesson 63

1. When and where was the first petroleum well drilled in the United States?
2. What is OPEC?
3. What are four main factors in determining the price of gasoline?
4. Petroleum use is what percentage of total U.S. energy consumption?
5. What is the main use of coal in the United States?
6. What are the two main problems associated with the use of fossil fuels for energy?
7. If the United States is going to need oil, where should we seek to obtain it?
8. What are two tradeoffs involved with the use of nuclear power?
9. What are some problems associated with alternative energy sources such as solar and wind?
10. What will be needed in the future in addition to different energy, and why?

## Lesson 64

1. Who developed the Model T?
2. How much of the new car market did General Motors control in the 1950s?
3. What reduced the popularity of gas-guzzling cars in the 1970s?
4. Cars from what country challenged the predominance of American companies in the 1970s and 1980s?
5. What companies are the Big Three U.S. automakers?
6. How many cars and light trucks (new and used) were sold in the U.S. in 2008?
7. What are four economic issues involved in the future of the auto industry?
8. What five factors does Joseph White say contributed to the trouble in the U.S. auto industry?
9. What financial obligations do U.S. automakers have for their UAW members?
10. What does White say that GM now stands for?

## Lesson 65

1. What are some ways that the housing industry is an important part of the economy?
2. How is homeownership important for families?
3. How does a fixed-rate mortgage work?
4. What is the cost advantage to a shorter-term mortgage?
5. What are bankers' traditional guidelines for approving mortgage applications?
6. What is PMI?
7. What fraction of owner-occupied homes had mortgages in 1997?
8. What are three agencies created by the Federal government to encourage homeownership?
9. What are two ways that the tax code encourages homeownership?
10. How can home mortgages have a negative impact on the economy?



**Unit 13 Quiz**

- \_\_\_\_\_ 1. As of 2009, the majority of Americans had health insurance coverage:
- that they purchased individually
  - that was employer-based
  - that was provided by the Federal government
  - that paid all of their medical bills
- \_\_\_\_\_ 2. Government involvement in health care has resulted in:
- higher costs overall
  - fewer people needing health care
  - streamlined health administration
  - lower taxes
- \_\_\_\_\_ 3. If Social Security payments exceed revenue, what is supposed to happen is:
- payments are automatically supposed to decrease to match the revenue
  - Social Security can borrow money from Medicare
  - taxes are to increase to cover the shortfall
  - Social Security is supposed to redeem bonds issued by the Treasury Department
- \_\_\_\_\_ 4. Just over half of Medicare funding is provided by:
- interest from the Medicare trust fund
  - general Federal revenues
  - payroll taxes and premiums paid by participants
  - the Social Security Administration
- \_\_\_\_\_ 5. One problem with using fossil fuels for energy is:
- the ever-expanding supply will make prices too low for companies to continue
  - they must be burned, which generates atmospheric pollution
  - they are more expensive than solar energy
  - they could run nuclear power companies out of business
- \_\_\_\_\_ 6. A problem with depending on energy provided by the sun and the wind is:
- it will apparently require much effort and a long time before they provide a significant portion of America's energy needs
  - the danger of sunburn and wind damage
  - cars operated by solar power are too cheap
  - the question of what to do with the coal that would not be used
- \_\_\_\_\_ 7. U.S. automakers have been hurt by:
- a dependence on large, fuel-inefficient vehicles for profits
  - competition from foreign-owned car companies
  - the costs of health care and pensions for retirees
  - all of the above
- \_\_\_\_\_ 8. The trend of employment in the automotive industry in recent years has been:
- more auto workers joining labor unions
  - fewer workers employed in the industry
  - fewer Japanese workers in American factories
  - a doubling of the work force in the industry

*quiz continued on next page*

- \_\_\_\_\_ 9. Compared to a 30-year home mortgage, a 15-year home mortgage:
- a. has lower monthly payments
  - b. requires private mortgage insurance
  - c. has a lower interest cost
  - d. is more risky for the lender
- \_\_\_\_\_ 10. The Federal tax code encourages homeownership by enabling homeowners to:
- a. deduct the realtor's fee from taxable income
  - b. deduct the cost of lawn care and utilities from taxable income
  - c. delay paying taxes on the capital gain from the sale of a house for five years
  - d. deduct home mortgage interest from taxable income

## Unit 14

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### Lesson 66

1. What was the role of farming in the United States before the Civil War?
2. What were the two main agricultural programs that were part of the New Deal?
3. What trends have taken place in recent years in American agriculture?
4. How many people worked in farming in the United States in 2000?
5. What has enabled larger farms and fewer farm workers?
6. The United States led the world in the production of what two crops in 2005?
7. What were the values of U.S. farm exports and imports in 2005?
8. What are some advantages and disadvantages of ethanol?
9. What is a major motivation for organic farming?
10. What might we be losing with the modernization of farming methods?

### Lesson 67

1. What groups have been the main adversaries in the debate over environmental policy?
2. What is the basic economic question about the environment?
3. What are four economic issues important in the debate about the environment?
4. What are two common approaches to dealing with environmental issues?
5. What is the cap-and-trade policy?
6. What difficulties does the United States have in dealing with environmental issues in the world economy?
7. How should Christians see the environment?
8. According to James Buckley, what is the challenge that mankind faces with regard to the environment and the economy?
9. What strategy does Buckley advocate to achieve environmental goals?
10. What is Buckley's concern about the objections of P.M.O.A.'s (practical men of affairs) to environmental legislation such as the Endangered Species Act?

### Lesson 68

1. How is productivity per hour of labor by an individual worker expressed?
2. How is productivity for the economy as a whole expressed?
3. How does technology affect productivity?
4. How do education and training affect productivity?
5. How does the size of the work force affect productivity?
6. What has been one major factor in the growth of the American work force?
7. How does the amount of hours worked affect productivity?
8. How does investment help productivity?
9. How is management a factor in productivity?
10. How can government encourage and enable economic growth?

## **Lesson 69**

1. What was the overall trend of economic activity in the United States during the 1920s?
2. What is buying stock on margin?
3. How much of its value did the stock market lose by November of 1929?
4. What were two main factors in the failure of so many banks?
5. What was the effect of the Smoot-Hawley Tariff?
6. When did production and employment increase significantly?
7. What was the impact of the New Deal in ending the Great Depression?
8. What does Russell Kirk say about the circumstances of people with reduced incomes during the period 1929 to 1933?
9. What does Kirk say about the likelihood of revolution in the U.S. in the early 1930s?
10. Who were the opposing groups in a confrontation in East Lansing, Michigan in 1937?

## **Lesson 70**

1. What were three factors that contributed to the 2008 recession?
2. What happened in the housing market during the first decade of the twenty-first century?
3. What are mortgage-backed securities?
4. What problem developed with many mortgages?
5. What is commercial paper?
6. What was the response of the Federal government to the economic crisis?
7. What happened to General Motors and Chrysler in 2009?
8. What did President Bush say made it easier for Americans to get credit?
9. What problems did Bush say developed in the housing industry?
10. How did Bush propose to use the \$700 billion he was asking Congress for?

## Unit 14 Quiz

Fill in the blanks with the correct words. Choose your answers from the word list below. Not all words in the list are used in the answers.

1. The trend in agriculture in recent years has been toward \_\_\_\_\_ farms and \_\_\_\_\_ farms.
2. Ethanol helps the United States be less dependent on \_\_\_\_\_ and it reduces some \_\_\_\_\_.
3. Cap-and-trade is a policy designed to reduce \_\_\_\_\_ emissions.
4. Christians should see themselves as \_\_\_\_\_ of God's creation.
5. \_\_\_\_\_ helps workers be more productive with inputs.
6. Business owners have to make \_\_\_\_\_ in capital goods and new technology for their workers to be more productive.
7. Recovery from the Great Depression was hurt by an inadequate \_\_\_\_\_.
8. The top \_\_\_\_\_ tax rate rose during the Great Depression.
9. \_\_\_\_\_ - \_\_\_\_\_ securities are bundles of home loans sold as investments.
10. General Motors and Chrysler both went into \_\_\_\_\_ in 2009.

### Word List

aggregate	larger
backed	marginal
bankruptcy	money
carbon	more
Chinese	mortgage
currency	oil
derivatives	orbit
emissions	protective
energy	scarce
fewer	solar
foreign	stewards
harmful	supply
income	tariff
inflation	technology
investments	tobacco

## Unit 15

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### Lesson 71

1. How do individuals make a difference in the economy?
2. In what tension between two realities do Christians live?
3. What does economics have to do with our relationship with God?
4. What is gained by admitting our dependence on God?
5. What is an individual's responsibility regarding work?
6. What are two things that demonstrate a person's real priorities?
7. What does God expect of us?
8. According to Kent Nelson, how has competition helped UPS?
9. What does Nelson say is key to everything that is done at UPS?
10. What did Oscar do?

### Lesson 72

1. What is the concept of the moral economy?
2. What is necessary for markets to bring about mutually satisfying exchanges?
3. When was the moral economy easier to maintain?
4. How has trust become more difficult in economic activity?
5. What is one way to keep the long term in mind?
6. How can you show respect for others?
7. How can you bless others in your work?
8. What is the conscience?
9. What does buying responsibly mean?
10. What are some advantages to doing business locally?

### Lesson 73

1. How should a married couple approach financial decisions?
2. What is Charlie Shedd's financial plan?
3. How can you achieve satisfying financial outcomes?
4. What are the two most important elements of a budget?
5. What does it mean to live within your means?
6. Why is comparing yourself to other people a problem?
7. What is the purpose of insurance?
8. Why is going into debt unwise?
9. What is bankruptcy?
10. What is Jesus' standard of living?

## Lesson 74

1. To what place does God call you for your work?
2. To whose advice should you listen, and why?
3. What can you count on about how your life will look in later years?
4. What is a leader?
5. How can you be a leader?
6. What are some benefits of a home-based business?
7. In what sense is impacting the economy from the home returning economics to its roots?
8. What experience motivated Kemmons Wilson to develop the Holiday Inn motel chain?
9. What helped Wilson's idea take off?
10. What was the biggest mistake that Wilson refused to make?

## Lesson 75

1. What field trip do we take for this lesson?
2. What kind of righteousness does Jesus call for?
3. What does Jesus say about the practice of religion?
4. What does Jesus say that we need to store up?
5. What does your treasure show?
6. What is the way to spiritual wealth?
7. What two illustrations in the created world does Jesus use?
8. What should be your first priority?
9. What does Jesus mean for us to do about His words?
10. How can Christians most effectively participate in the economy?

## Unit 15 Quiz

- \_\_\_\_\_ 1. Individuals:
- a. have no impact on the economy
  - b. make all economic decisions
  - c. have been overtaken by market forces
  - d. are important only to banks
- \_\_\_\_\_ 2. Christians live with this tension:
- a. what to buy and where to put it all
  - b. how many times a week we should go to church
  - c. the economic teachings of the Bible seem unworkable in our modern age
  - d. the spiritual realm is all that ultimately matters, but we live in the physical realm
- \_\_\_\_\_ 3. The moral economy refers to:
- a. economic activity based on moral principles
  - b. what books and magazines Christians should read
  - c. how much to contribute to a church
  - d. the morality of being economical
- \_\_\_\_\_ 4. Treating co-workers well, being conscious of your impact on the environment, and looking for opportunities to give to worthy causes are all ways of:
- a. making choices based on opportunity cost
  - b. using your position to bless others
  - c. obeying the Social Security law
  - d. violating your conscience
- \_\_\_\_\_ 5. The most important thing about a budget is:
- a. making it and keeping it
  - b. including money for taxes
  - c. planning for education and retirement
  - d. what you spend on housing and groceries
- \_\_\_\_\_ 6. Insurance is:
- a. irresponsible
  - b. unnecessary
  - c. a form of debt
  - d. a way to manage risk
- \_\_\_\_\_ 7. You will be a leader because:
- a. you are intelligent
  - b. your parents expect you to be
  - c. you will influence others
  - d. you can run your own business
- \_\_\_\_\_ 8. The decisions you make at home:
- a. will have no impact on the economy
  - b. will have an impact on the economy
  - c. will have an impact if you start a home-based business
  - d. mean that you are being economical
- \_\_\_\_\_ 9. Jesus uses birds and flowers to illustrate:
- a. the importance of agriculture in the economy
  - b. how much of your salary to give to the church
  - c. how God will take care of us
  - d. the importance of appearance
- \_\_\_\_\_ 10. Your first priority should be to:
- a. have a comfortable nest egg for retirement
  - b. teach a Sunday School class on personal finance
  - c. make sure that you never go in debt
  - d. seek God's kingdom and His righteousness



### Third Exam (primarily Units 11-15)

Using separate paper, write about four or five thoughtful, substantive sentences to answer each of the following questions. Include specific information you have learned in this curriculum as well as your opinions. (100 points total, five points for each answer)

1. In Lesson 25, we discussed the goals of economic efficiency, equity, freedom, security, growth, and stability. Which of these do you think is the most important goal, and why?
2. How do you believe government should be involved in the economy—correcting for market failure, imposing regulations, enacting taxes, general oversight, no involvement whatsoever, or other specific ways?
3. The fiscal and monetary policies of the Federal government are intended to promote economic growth and stabilization, to reduce inflation and unemployment, to preserve the fairness of and equal access to the free market, and to encourage international trade. What do you believe are three steps that the government can take to accomplish these goals?
4. What do you see as an example of helpful government involvement in the economy, and why?
5. What do you see as an example of harmful government involvement in the economy, and why?
6. What concerns do you have about deficit spending by government and the growing national debt?
7. What do you think the relationship should be between rich Americans and poor Americans?
8. What do you think the relationship should be between the United States and poor countries?
9. What do the GDP, the CPI, the LEI, and the DJIA tell us about the economy?
10. What do you think is one market-based approach to health care that would make a positive change?

11. What do you see as the long-term solution to America's energy needs, and what should be done to bring this about?
12. Do you think the Federal government should have helped General Motors and Chrysler through bankruptcy? Why or why not?
13. How can we have a healthy economy, a healthy environment, and a limited government?
14. What are three things you can do to help increase your potential for economic productivity?
15. What should the United States learn from the 2008-2009 recession?
16. As an individual, what do you think is the most important role you can play in the economy?
17. What three financial decisions do you think are most important for you and for your future family?
18. How does your faith influence your perception of and participation in the American economy?
19. What is one essay in *The Stewardship of God's Riches* that you especially enjoyed, and why?
20. What are three things you have learned from this study of economics?