

**True / False**

1. The United States is the largest national economy in the world.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: Measuring the Economy

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Knowledge

2. The U.S. economy is unique for both its size and prosperity.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: Measuring the Economy

**NATIONAL STANDARDS:** United States - BPROG: Analytic

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**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Knowledge

3. The *factors of production* include all goods and services produced in an economy.

- a. True
- b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Knowledge

4. *Outputs* include goods but not services.

- a. True
- b. False

**ANSWER:** False

**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
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**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Knowledge

5. Population density varies little between the fifty states.

a. True

b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics  
**TOPICS:** The American Economy: A Thumbnail Sketch

6. Prosperity in the United States is evenly distributed across the fifty states.

a. True

b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Measuring the Economy  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Measuring the Economy  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

7. In the United States, all property is privately owned.

a. True

b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Knowledge

8. Gross domestic product is the money value of all final goods and services produced in an economy in a year.

a. True

b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:** United States - Analytic - BB-Legal

**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Knowledge

9. Gross domestic product is the money value of manufacturing production in a year.

a. True

b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

10. GDP is a measure of the total output of an economy.

a. True

b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Knowledge

11. Real GDP is the dollar value of all goods and services produced in an economy.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

12. Government production accounts for about half of all GDP in the United States.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: The role of government  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The role of government  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Knowledge

13. The United States is one of the most marketized economies in the world.

- a. True
- b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

14. The United States is one of the least marketized economies in the world.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The study of economics, and definitions of economics  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

15. The U.S. economy is relatively open in terms of economic activity related to international trade.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Measuring the Economy  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Measuring the Economy  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

16. The U.S. economy is relatively closed in terms of economic activity related to exports and imports.

- a. True
- b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Measuring the Economy  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Measuring the Economy  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

17. An open economy produces most of the goods and services that it needs, with few imports and exports.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The study of economics, and definitions of economics  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

18. An open economy is one in which exports and imports constitute a large share of GDP.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

19. The U.S. economy rarely grows.

- a. True
- b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: Measuring the Economy

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Measuring the Economy

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

20. Real GDP per capita in the U.S. grows over time.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Measuring the Economy

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Measuring the Economy

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

21. In 2013, per capita real GDP was roughly half its value in 1960.

- a. True
- b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Measuring the Economy

**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Measuring the Economy  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

22. A recession is a period of time in which the total output of the economy falls.

a. True

b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

23. A recession is a period of time in which real GDP falls.

a. True

b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

24. The U.S. economy has grown steadily over the years.

a. True

b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: Measuring the Economy

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Measuring the Economy

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

25. A recession is a period of time in which the total output of the economy rises.

- a. True
- b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

26. Unemployment in the United States varies considerably over time.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Labor markets

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Labor markets

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

27. Recessions are periods of declining economic activity.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

28. Over the last several years and until recently, the United States has had lower unemployment rates than most European countries.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1



**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Reading and interpreting graphs  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

29. Roughly 144 million people in the United States hold jobs.

- a. True
- b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: Labor markets  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Labor markets  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Comprehension

30. Teenage employment in the United States has risen in the last two decades.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Reading and interpreting graphs  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Comprehension

31. A minority of American women work outside of the home.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Reading and interpreting graphs  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Knowledge

32. Approximately half of all U.S. workers are employed by various levels of government.

- a. True

b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Reading and interpreting graphs  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Comprehension

33. The federal government employs more civilians than state and local governments.

a. True

b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: Labor markets  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Labor markets  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Comprehension

34. The majority of American workers are employed in the manufacturing sector.

a. True

b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Reading and interpreting graphs  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Comprehension

35. The majority of American workers are employed in the service sector of the economy.

a. True

b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Reading and interpreting graphs  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Comprehension

36. Workers earn less than half of the income generated by the production process.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Labor markets  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Labor markets  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Comprehension

37. Workers earn more than half of the income generated by the production process.

- a. True
- b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Labor markets  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Labor markets  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Comprehension

38. The total market value of capital assets in the United States is about \$30 trillion dollars.

- a. True
- b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Comprehension

39. Profits account for about 30 cents out of each dollar spent on goods in the United States.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The study of economics, and definitions of economics  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Comprehension

40. Consumer spending accounts for about 70 percent of GDP.

- a. True
- b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Productivity and growth  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Productivity and growth  
**TOPICS:** The Outputs: What Does America Produce?  
**KEYWORDS:** BLOOM'S: Comprehension

41. American households spend more of their incomes on goods than on services.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Utility and consumer choice - DISC: Utility and consumer choice  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Utility and consumer choice  
**TOPICS:** The Outputs: What Does America Produce?  
**KEYWORDS:** BLOOM'S: Comprehension

42. There are about 5 million business firms in the United States.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: Oligopoly  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Oligopoly  
**TOPICS:** The Central Role of Business Firms  
**KEYWORDS:** BLOOM'S: Comprehension

43. The nationality of a company and a product is easily determined.

a. True

b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: International trade and fi - DISC: International trade and finance

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** International trade and finance

**TOPICS:** The Central Role of Business Firms

**KEYWORDS:** BLOOM'S: Comprehension

44. Multinational businesses produce and sell goods around the world.

a. True

b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: International trade and fi - DISC: International trade and finance

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** International trade and finance

**TOPICS:** The Central Role of Business Firms

**KEYWORDS:** BLOOM'S: Comprehension

45. Government is unnecessary in a free enterprise economy such as the United States.

a. True

b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: The role of government

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The role of government

**TOPICS:** What's Missing from the Picture? Government

**KEYWORDS:** BLOOM'S: Comprehension

46. One important role for government as referee is in defining and enforcing property rights.

a. True

b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: The role of government

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The role of government

**TOPICS:** What's Missing from the Picture? Government

**KEYWORDS:** BLOOM'S: Comprehension

47. *Antitrust laws* are designed to promote competition.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Monopolistic competition

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Monopolistic competition

**TOPICS:** What's Missing from the Picture? Government

**KEYWORDS:** BLOOM'S: Comprehension

48. Government spending plays no role in meeting our social and public needs.

- a. True
- b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: The role of government

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The role of government

**TOPICS:** What's Missing from the Picture? Government

**KEYWORDS:** BLOOM'S: Comprehension

49. National defense made up the largest portion of federal expenditures in 2009.

- a. True
- b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: Monetary and fiscal policy

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Monetary and fiscal policy

**TOPICS:** What's Missing from the Picture? Government

**KEYWORDS:** BLOOM'S: Comprehension

50. Government in the United States spends more as a percentage of GDP than in most other industrialized nations.

- a. True
- b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs

**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Reading and interpreting graphs  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Comprehension

51. The personal income tax is the single largest source of revenue for the federal government.

a. True

b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Reading and interpreting graphs

**TOPICS:** What's Missing from the Picture? Government

**KEYWORDS:** BLOOM'S: Comprehension

52. The corporate income tax is the single largest source of revenue for the federal government.

a. True

b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Monetary and fiscal policy

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Monetary and fiscal policy

**TOPICS:** What's Missing from the Picture? Government

**KEYWORDS:** BLOOM'S: Comprehension

53. The federal government receives most of its revenue from personal income taxes and payroll taxes.

a. True

b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Monetary and fiscal policy

**TOPICS:** What's Missing from the Picture? Government

**KEYWORDS:** BLOOM'S: Comprehension

54. Transfer payments are money received as grants from government.

a. True

b. False

**ANSWER:** True

**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Comprehension

55. A tax is progressive if the ratio of taxes to income rises as income rises.

a. True

b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Comprehension

56. A tax is progressive if it raises a greater fraction of total tax revenue every year.

a. True

b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Comprehension

57. A tax must be progressive if an individual with a higher income pays more dollars in taxes than an individual with a lower income.

a. True

b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and



definitions in economics

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** What's Missing from the Picture? Government

**KEYWORDS:** BLOOM'S: Comprehension

58. Education accounts for the largest share of state and local government spending.

a. True

b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: Monetary and fiscal policy

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Monetary and fiscal policy

**TOPICS:** What's Missing from the Picture? Government

**KEYWORDS:** BLOOM'S: Comprehension

59. The government's budget accounts for about 80 percent of GDP in the United States.

a. True

b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: The role of government

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The role of government

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

60. In a mixed economy, there is some public influence over the workings of free markets.

a. True

b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** Conclusion: It's a Mixed Economy

**KEYWORDS:** BLOOM'S: Comprehension

61. A mixed economy is one that combines public and private ownership of property.

a. True

b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** Conclusion: It's a Mixed Economy

**KEYWORDS:** BLOOM'S: Comprehension

62. The United States is an example of a mixed economy.

a. True

b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: Understanding and Applying - DISC: Understanding and Applying Economic Models

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Understanding and applying econo - Understanding and applying economic models

**TOPICS:** Conclusion: It's a Mixed Economy

**KEYWORDS:** BLOOM'S: Comprehension

63. The U.S. has the biggest national economy in the world solely because of the U.S. population.

a. True

b. False

**ANSWER:** False

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: Understanding and Applying - DISC: Understanding and Applying Economic Models

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Understanding and applying econo - Understanding and applying economic models

**TOPICS:** Conclusion: It's a Mixed Economy

**KEYWORDS:** BLOOM'S: Knowledge

64. A mixed economy blends private and public elements.

a. True

b. False

**ANSWER:** True

POINTS: 1

### Multiple Choice

65. The United States economy is
- a. the third largest in the world.
  - b. larger than all other national economies combined.
  - c. second largest in the world, behind Japan.
  - d. largest in the world.

ANSWER: d  
POINTS: 1  
DIFFICULTY: Easy  
LEARNING OBJECTIVES: DISC: Measuring the Economy  
NATIONAL STANDARDS: United States - BPROG: Analytic  
ACCREDITING STANDARDS: Measuring the Economy  
TOPICS: The American Economy: A Thumbnail Sketch  
KEYWORDS: BLOOM'S: Comprehension

66. How does the U.S. economy rank in size?
- a. first in economic output
  - b. second in economic output
  - c. third in economic output
  - d. fourth in economic output
  - e. fifth in economic output

ANSWER: a  
POINTS: 1  
DIFFICULTY: Easy  
LEARNING OBJECTIVES: DISC: Measuring the Economy  
NATIONAL STANDARDS: United States - BPROG: Analytic  
ACCREDITING STANDARDS: Measuring the Economy  
TOPICS: The American Economy: A Thumbnail Sketch  
KEYWORDS: BLOOM'S: Comprehension

67. The United States has the largest economy in the world because
- a. it has the most land to work with.
  - b. it has a large population.
  - c. American workers are very productive.
  - d. both b and c are correct.

ANSWER: d  
POINTS: 1  
DIFFICULTY: Moderate  
LEARNING OBJECTIVES: DISC: Measuring the Economy  
NATIONAL STANDARDS: United States - BPROG: Analytic  
ACCREDITING STANDARDS: Measuring the Economy  
TOPICS: The American Economy: A Thumbnail Sketch

**KEYWORDS:****BLOOM'S: Analysis**

68. Inputs, or factors of production, include

- a. labor.
- b. machinery.
- c. natural resources.
- d. all of the above.

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

69. On a world scale, how populous is the U.S. economy?

- a. first
- b. second
- c. third
- d. fourth
- e. fifth

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: Measuring the Economy

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Measuring the Economy

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Knowledge

70. The working population of the United States is approximately

- a. 144 million
- b. 290 million
- c. 300 million
- d. 1.3 billion

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Labor markets

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Labor markets

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:****BLOOM'S: Knowledge**

71. If California were a separate economy, it would be the \_\_\_\_ largest economy on earth.

- a. second
- b. third
- c. fifth
- d. eighth

**ANSWER:****d****POINTS:****1****DIFFICULTY:****Moderate****LEARNING OBJECTIVES:****DISC: Measuring the Economy****NATIONAL STANDARDS:****United States - BPROG: Analytic****ACCREDITING STANDARDS:** Measuring the Economy**TOPICS:****The American Economy: A Thumbnail Sketch****KEYWORDS:****BLOOM'S: Knowledge**

72. Capitalism and free enterprise are common, and the United States

- a. has just begun to move in that direction after years of central planning.
- b. has gone further in that direction than almost any other country.
- c. is becoming more "free," but is not as capitalistic as many others.
- d. is considering a major change to "free up" its economy as many others have.
- e. is leading the move toward greater central planning and control.

**ANSWER:****b****POINTS:****1****DIFFICULTY:****Easy****NATIONAL STANDARDS:****United States - BPROG: Analytic****ACCREDITING STANDARDS:** Markets, market failure, and ext - Markets, market failure, and externalities**TOPICS:****The American Economy: A Thumbnail Sketch****KEYWORDS:****BLOOM'S: Comprehension**

73. Government ownership of property and resources in the United States is

- a. about as common as it is in European countries.
- b. widespread; the United States is a leader in the amount of government ownership of resources.
- c. relatively rare; the United States is mostly privatized.
- d. rare, but has been increasing rapidly as the United States catches up to other countries.

**ANSWER:****c****POINTS:****1****DIFFICULTY:****Moderate****LEARNING OBJECTIVES:****DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities****NATIONAL STANDARDS:****United States - BPROG: Analytic****ACCREDITING STANDARDS:** Markets, market failure, and ext - Markets, market failure, and externalities**TOPICS:****The American Economy: A Thumbnail Sketch****KEYWORDS:****BLOOM'S: Comprehension**

74. Gross domestic product is
- a. the largest industry in an economy.
  - b. the money value of all final goods and services produced in a year.
  - c. the volume of goods and services which are subject to international trade.
  - d. goods and services produced by private companies.
  - e. non-market production of goods and services.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

75. The United States produces \_\_\_\_ of what it consumes, and consumes \_\_\_\_ of what it produces.
- a. little, little
  - b. little, most
  - c. most, little
  - d. most, most

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Moderate

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Supply and demand

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

76. In 2013, about what percentage of goods and services sold in the United States was imported?
- a. 5%
  - b. 16%
  - c. 22%
  - d. 88%

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: International trade and fi - DISC: International trade and finance

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** International trade and finance

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

77. Imports from China represent \_\_\_\_ of total U.S. imports.

- a. less than 20%
- b. approximately 40%
- c. approximately 60%
- d. more than 80%

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: International trade and fi - DISC: International trade and finance  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** International trade and finance  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

78. Which of the following is the best definition of openness?
- a. The average of imports expressed as a share of GDP.
  - b. The average of goods traded in markets expressed as a share of GDP.
  - c. The average of imports and exports expressed as a share of GDP.
  - d. The average trade balance expressed as a share of GDP.
  - e. The average of exports expressed as a share of GDP.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

79. How does the United States compare to other advanced, industrialized economies on the issue of openness?
- a. It is completely closed.
  - b. It is one of the less open of them.
  - c. It is about average in openness.
  - d. It is one of the more open of them.
  - e. It is the most open of them.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Reading and interpreting graphs  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

80. As of 2013, annual imports to the U.S. were approximately \_\_\_\_ and annual exports from the U.S. were approximately \_\_\_\_.

- a. \$0.6 trillion; \$1.5 trillion
- b. \$2.2 trillion; \$0.7 trillion
- c. \$2.7 trillion; \$2.3 trillion
- d. \$1.5 trillion; \$2.0 trillion
- e. \$2.0 trillion; \$2.0 trillion

**ANSWER:**

c

**POINTS:**

1

**DIFFICULTY:**

Moderate

**LEARNING OBJECTIVES:**

DISC: International trade and fi - DISC: International trade and finance

**NATIONAL STANDARDS:**

United States - BPROG: Analytic

**ACCREDITING STANDARDS:** International trade and finance

**TOPICS:**

The American Economy: A Thumbnail Sketch

**KEYWORDS:**

BLOOM'S: Knowledge

81. Which of the following is the most closed economy?

- a. the Netherlands
- b. the United States
- c. Germany
- d. Russia
- e. Canada

**ANSWER:**

b

**POINTS:**

1

**DIFFICULTY:**

Easy

**LEARNING OBJECTIVES:**

DISC: Reading and interpreting g - DISC: Reading and interpreting graphs

**NATIONAL STANDARDS:**

United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Reading and interpreting graphs

**TOPICS:**

The American Economy: A Thumbnail Sketch

**KEYWORDS:**

BLOOM'S: Knowledge

82. Which of the following is the most open economy?

- a. Germany
- b. the Netherlands
- c. the United States
- d. Japan
- e. Canada

**ANSWER:**

b

**POINTS:**

1

**DIFFICULTY:**

Easy

**LEARNING OBJECTIVES:**

DISC: Reading and interpreting g - DISC: Reading and interpreting graphs

**NATIONAL STANDARDS:**

United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Reading and interpreting graphs

**TOPICS:**

The American Economy: A Thumbnail Sketch



**KEYWORDS:** BLOOM'S: Comprehension

83. Which of the following is the most closed economy?.

- a. Germany
- b. Canada
- c. Mexico
- d. the United States

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Reading and interpreting graphs

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

84. Gross Domestic Product in 2013 was almost five times larger than it was in 1960 but it is important to note that

- a. none of the growth represented more output.
- b. measurement of output omitted any effect of inflation.
- c. the population grew substantially over the same time period.
- d. graphs of output were unable to display such growth.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Measuring the Economy

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Measuring the Economy

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Analysis

85. According to the data on real U.S. GDP,

- a. economic growth has been irregular, with periodic downturns.
- b. economic growth has been consistent, with few downturns.
- c. economic growth has been extremely rapid, but with major collapses.
- d. economic growth has been elusive, but downturns have been eliminated.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Reading and interpreting graphs

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

86. Economic progress is best measured by

- a. the growth rate of prices over time.
- b. the growth rate of GDP per capita
- c. the amount of time it takes a worker to work to afford certain goods and services.
- d. the growth rate in the population.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Productivity and growth  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Productivity and growth  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

87. Along with changes in the level of economic activity, measured by GDP, what other economic variable tends to rise and fall as a consequence?

- a. precipitation
- b. regulation
- c. circulation
- d. unemployment

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: Productivity and growth  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Productivity and growth  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Analysis

88. Why does unemployment tend to change when the level of output changes?

- a. Persons wish to buy things, and if output falls, people need to work less to earn the income to buy the smaller output.
- b. Labor is an input, and if output falls, employers need fewer workers to make it, so the employment falls.
- c. When output rises, persons are more interested in buying, and will work more to earn the income to buy things.
- d. Persons face the option of buying or working, so that when they do more of one, the other necessarily falls.
- e. When companies replace workers with machines, output rises, and people take time off from work to buy before returning to employment.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Labor markets  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Labor markets  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

89. Per capita GDP can be defined as
- a. GDP per working person.
  - b. GDP per unit of capital.
  - c. GDP per person.
  - d. GDP per unit of unemployment.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: The study of economics, and definitions in economics - DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and definitions in economics - The study of economics, and definitions of economics

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

90. Economic fluctuations are defined as
- a. alternating periods of significant GDP growth and decline.
  - b. events only encountered in developing countries.
  - c. periods of stable economic growth.
  - d. alternating periods of unemployment falling above and below zero.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: The study of economics, and definitions in economics - DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and definitions in economics - The study of economics, and definitions of economics

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Comprehension

91. A recession can best be defined as a period of time in which
- a. total output of the economy falls.
  - b. total output of the economy rises very slowly.
  - c. total unemployment falls.
  - d. total international trade fails to rise.
  - e. Both a and c

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: The study of economics, and definitions in economics - DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The study of economics, and definitions in economics - The study of economics, and definitions of economics

economics

**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

92. Which of the following is true about the United States?
- a. There has only been one recession in U.S. history.
  - b. There have been recessions every couple of years throughout U.S. history.
  - c. Recessions have never occurred in the United States.
  - d. Recessions have occurred periodically in U.S. history.
  - e. Recessions in the United States have generally been worse than in other countries.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Reading and interpreting graphs  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

93. What is the approximate number of Americans who have jobs?
- a. 144 million
  - b. 200 million
  - c. 290 million
  - d. 310 million
  - e. 3.1 billion

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: Labor markets  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Labor markets  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Knowledge

94. One of the most important changes in the composition of the labor force in the United States has been
- a. the major increase in the number of women who work outside the home.
  - b. the drop in the number of men who only work part-time.
  - c. the steady decline in the number of women who work.
  - d. the increase in the ratio of male workers to female workers.
  - e. the major increase in the number of men who work away from the home or farm.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs  
**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Reading and interpreting graphs

**TOPICS:** The Inputs: Labor and Capital

**KEYWORDS:** BLOOM'S: Comprehension

95. Which of the following groups has had declining labor force participation over the last 30 years?

- a. Women
- b. Men
- c. Teenagers
- d. Americans

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Reading and interpreting graphs

**TOPICS:** The Inputs: Labor and Capital

**KEYWORDS:** BLOOM'S: Comprehension

96. In the United States, most workers

- a. work for government of some sort.
- b. produce raw materials for manufacturing.
- c. work in agriculture and farming.
- d. produce services rather than goods.

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Productivity and growth

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Productivity and growth

**TOPICS:** The Inputs: Labor and Capital

**KEYWORDS:** BLOOM'S: Comprehension

97. Most American workers

- a. are employed in the goods-producing sector.
- b. are employed by government.
- c. are employed in the service-producing sector.
- d. are employed in the agricultural sector.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Reading and interpreting graphs

**TOPICS:** The Inputs: Labor and Capital

**KEYWORDS:** BLOOM'S: Comprehension

98. Which of the following areas employed more workers in 2013?

- a. educational and health services
- b. business and professional services
- c. retail trade
- d. manufacturing companies

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Reading and interpreting graphs

**TOPICS:** The Inputs: Labor and Capital

**KEYWORDS:** BLOOM'S: Comprehension

99. All industrialized countries have become "service economies." Which factor helps explain this shift?

- a. Trade unionism and failure of the manufacturing sector to grow.
- b. Information age and labor saving innovation in manufacturing.
- c. Non availability of industrial labor with required skills.
- d. Absence of competition in the service sector.

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Productivity and growth

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Productivity and growth

**TOPICS:** The Inputs: Labor and Capital

**KEYWORDS:** BLOOM'S: Analysis

100. Which factor of production accounts for the highest percentage of the income that the production process generates in the US?

- a. Capital
- b. Natural Resource
- c. Land
- d. Labor

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: Productivity and growth

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Productivity and growth

**TOPICS:** The Inputs: Labor and Capital

**KEYWORDS:** BLOOM'S: Analysis

101. The portion of income which is earned in the form of wages for labor is about

- a. 15%
- b. 35%
- c. 51%
- d. 60%

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Productivity and growth  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Productivity and growth  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Comprehension

102. The average hourly wage (excluding benefits) in the United States is currently
- a. \$7.50
  - b. \$9.95
  - c. \$15.00
  - d. \$20.00

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Productivity and growth  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Productivity and growth  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Comprehension

103. For those workers who are given fringe benefits such as health insurance and pensions, the additional income this amounts to over and above the average hourly wage can be as much as (for some workers)
- a. 10-12%
  - b. 30-40%
  - c. 51-62%%
  - d. 70% or more

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: The role of incentives  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The role of incentives  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Comprehension

104. How do the wages in the United States compare to those in northern Europe?
- a. U.S. wage rates are higher than those of all northern European nations.
  - b. Northern Europe's average wage rates are higher.

- c. U.S. wage rates are higher than those in Germany and the Netherlands.
- d. they are similar.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Costs of production  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Costs of production  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Comprehension

105. The payments to owners of capital include

- a. interest and profits.
- b. debt and taxes.
- c. wages and salaries.
- d. expenses and bonuses.
- e. All of the above are correct.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Gains from trade, specialization - Gains from trade, specialization and trade  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Comprehension

106. Most Americans

- a. have accurate perceptions of the level of corporate profits.
- b. underestimate corporate profits.
- c. overestimate corporate profits.
- d. believe that corporations earn zero profit.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Reading and interpreting graphs  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Analysis

107. Consumer spending accounts for what share of GDP?

- a. 20%
- b. 40%
- c. 70%
- d. 90%

**ANSWER:** c



**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: Utility and consumer choice - DISC: Utility and consumer choice  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Utility and consumer choice  
**TOPICS:** The Outputs: What Does America Produce?  
**KEYWORDS:** BLOOM'S: Comprehension

108. The typical American family spends about \_\_\_\_ percent of its budget on goods, and the remainder on services.

- a. 22
- b. 34
- c. 68
- d. 74

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Utility and consumer choice - DISC: Utility and consumer choice  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Utility and consumer choice  
**TOPICS:** The Outputs: What Does America Produce?  
**KEYWORDS:** BLOOM'S: Knowledge

109. Nonconsumption spending accounts for roughly what percent of total output of goods and services?

- a. 20%
- b. 30%
- c. 40%
- d. 60%

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Utility and consumer choice - DISC: Utility and consumer choice  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Utility and consumer choice  
**TOPICS:** The Outputs: What Does America Produce?  
**KEYWORDS:** BLOOM'S: Comprehension

110. The United States has approximately

- a. 80,000 businesses.
- b. 5.1 million businesses.
- c. 12.5 million businesses.
- d. 28.million businesses.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: Oligopoly

**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Oligopoly  
**TOPICS:** The Central Role of Business Firms  
**KEYWORDS:** BLOOM'S: Knowledge

111. According to Robert Reich, secretary of Labor in the Clinton administration,
- a. the identity of American companies is clear, and laws should be written accordingly.
  - b. foreign companies are clearly different from American companies.
  - c. multinational companies have clear bases of operations, which form their identity.
  - d. it is almost impossible to define the nationality of a multinational company.
  - e. identifying the country of origin of a product is almost impossible, but essential for proper regulation.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: International trade and fi - DISC: International trade and finance  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** International trade and finance  
**TOPICS:** The Central Role of Business Firms  
**KEYWORDS:** BLOOM'S: Comprehension

112. In the United States each year, approximately
- a. 50% of all businesses fail.
  - b. 25% of all businesses fail.
  - c. 10% of all businesses fail.
  - d. 5% of all businesses fail.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Markets, market failure, and ext - Markets, market failure, and externalities  
**TOPICS:** The Central Role of Business Firms  
**KEYWORDS:** BLOOM'S: Comprehension

113. A firm that does business all over the world is called a(n)
- a. multinational corporation.
  - b. international conglomerate.
  - c. competitive corporation.
  - d. government-owned business.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**NATIONAL STANDARDS:** United States - Analytic - BB-Legal  
**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of

economics

**TOPICS:** The Central Role of Business Firms

114. An industry can be defined as

- a. the group of all firms that sell a product.
- b. any company that produces and sells something.
- c. the set of buyers of a particular good or service.
- d. the top companies that sell something.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Easy

**NATIONAL STANDARDS:** United States - Analytic - BB-Legal

**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics

**TOPICS:** The Central Role of Business Firms

115. Government plays a role in which type of economy?

- a. only free market economies like the United States
- b. only socialist economies
- c. only mixed economies
- d. all economies

**ANSWER:** d

**POINTS:** 1

**DIFFICULTY:** Easy

**NATIONAL STANDARDS:** United States - Analytic - BB-Legal

**ACCREDITING STANDARDS:** The role of government

**TOPICS:** What's Missing from the Picture? Government

116. The role of government in a market economy includes all of the following except

- a. providing services such as national defense.
- b. collecting taxes.
- c. extensive ownership of productive resources.
- d. making and enforcing laws.

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Moderate

**NATIONAL STANDARDS:** United States - Analytic - BB-Legal

**ACCREDITING STANDARDS:** The role of government

**TOPICS:** What's Missing from the Picture? Government

117. Comparing the United States to other economies, the United States is one of the \_\_\_\_ economy in the world.

- a. most government-supervised
- b. most privatized
- c. most government-owned
- d. least privatized

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**NATIONAL STANDARDS:** United States - Analytic - BB-Legal  
**ACCREDITING STANDARDS:** Markets, market failure, and ext - Markets, market failure, and externalities  
**TOPICS:** What's Missing from the Picture? Government

118. Which of the following illustrates government acting as a referee?

- a. taxing high income persons
- b. enforcing contract provisions between buyer and seller
- c. buying new weapons for defense
- d. mailing checks to social security recipients
- e. collecting data on imports and exports

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**NATIONAL STANDARDS:** United States - Analytic - BB-Legal  
**ACCREDITING STANDARDS:** The role of government  
**TOPICS:** What's Missing from the Picture? Government

119. As Americans have become more health conscious, rules about food labels have become more complex and stringent. This is an example of government acting as

- a. regulator.
- b. redistributor.
- c. taxer.
- d. defender.
- e. referee.

**ANSWER:** e  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**NATIONAL STANDARDS:** United States - Analytic - BB-Legal  
**ACCREDITING STANDARDS:** The role of government  
**TOPICS:** What's Missing from the Picture? Government

120. Which of the following is a valid reason to consider government regulation?

- a. Seeking some social objective that markets do not achieve.
- b. Fear that capitalism will prove too productive.
- c. Desire on the part of government to be useful.
- d. Requests for protection from an industry.
- e. All of the above.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**NATIONAL STANDARDS:** United States - Analytic - BB-Legal  
**ACCREDITING STANDARDS:** The role of government

**TOPICS:** What's Missing from the Picture? Government

121. When government defines and enforces property rights, this is an example of government as
- a. referee.
  - b. regulator of business.
  - c. buyer of goods and services.
  - d. tax collector.
  - e. redistributor.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Moderate

**NATIONAL STANDARDS:** United States - Analytic - BB-Legal

**ACCREDITING STANDARDS:** The role of government

**TOPICS:** What's Missing from the Picture? Government

122. Antitrust laws are designed to
- a. preserve competition.
  - b. protect the environment.
  - c. protect the public's trust in the government.
  - d. all of the above.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Easy

**NATIONAL STANDARDS:** United States - Analytic - BB-Legal

**ACCREDITING STANDARDS:** Perfect competition

**TOPICS:** What's Missing from the Picture? Government

123. America's antitrust laws are used to protect competition against possible encroachment by monopoly. This is an example of government as
- a. regulator of businesses.
  - b. buyer of goods and services.
  - c. tax collector.
  - d. redistributor.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: The role of government

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The role of government

**TOPICS:** What's Missing from the Picture? Government

**KEYWORDS:** BLOOM'S: Comprehension

124. During fiscal year 2012, the most recent mentioned in the text, the federal government spent approximately
- a. \$1.7 billion
  - b. \$1.9 trillion

- c. \$3.7 trillion
- d. \$14.0 trillion

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: Monetary and fiscal policy  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Monetary and fiscal policy  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Comprehension

125. The largest single portion of the federal budget is devoted to

- a. National defense.
- b. Medicare and Medicaid.
- c. Social Security and unemployment compensation.
- d. Education.
- e. Interest payments on the national debt.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Monetary and fiscal policy  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Monetary and fiscal policy  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Comprehension

126. The largest single portion of state and local budgets is devoted to

- a. State and local defense.
- b. Health and public welfare programs.
- c. State and local unemployment compensation.
- d. Education.
- e. Interest payments on state and local debt.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Monetary and fiscal policy  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Monetary and fiscal policy  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Comprehension

127. Compared to people in other nations, people in the United States pay

- a. much higher taxes.
- b. somewhat higher taxes, on average.
- c. about the same amount taxes.

d. lower taxes.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Monetary and fiscal policy  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Monetary and fiscal policy  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Comprehension

128. Despite the monies spent by the federal and state governments, many observers believe which of the following?

- a. public infrastructure such as bridges and roads is only adequate
- b. our educational system is lacking
- c. not enough monies are spent on homeland defense
- d. all of these are correct

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Efficiency and equity  
**NATIONAL STANDARDS:** United States - BPROG: Reflective Thinking - BPROG: Analysis  
**ACCREDITING STANDARDS:** Efficiency and equity  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Analysis

129. In the U.S., the share of taxes \_\_\_\_ during the early years of George W. Bush's presidency and \_\_\_\_ since then.

- a. decreased; increased somewhat
- b. decreased; further decreased
- c. increased; further increased
- d. increased; decreased somewhat
- e. increased; remained constant

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: Reading and interpreting g - DISC: Reading and interpreting graphs  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Reading and interpreting graphs  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Comprehension

130. A transfer payment is a sum of money

- a. spent by government for new goods and services.
- b. shifted between members of a household.
- c. given by government without a good or service in exchange.
- d. moved between companies for goods and services.
- e. required to pay taxes.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Comprehension

131. The concept of government as redistributor is
- a. approved by many, but questioned by many as well.
  - b. generally rejected as against "the American way."
  - c. largely approved by a vast majority of Americans.
  - d. unnecessary in the United States because income disparities are small.
  - e. a conservative idea that many liberals reject.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: The role of government  
**NATIONAL STANDARDS:** United States - BPROG: Reflective Thinking - BPROG: Analysis  
**ACCREDITING STANDARDS:** The role of government  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Analysis

132. The issue of inequality has become prominent because of:
- a. an increased sense of justice
  - b. a decrease in the strength of capitalism
  - c. the widening wage disparity
  - d. none of these

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Difficult  
**LEARNING OBJECTIVES:** DISC: Efficiency and equity  
**NATIONAL STANDARDS:** United States - BPROG: Reflective Thinking - BPROG: Analysis  
**ACCREDITING STANDARDS:** Efficiency and equity  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Analysis

133. A central government collected taxes totaling \$120 billion in the previous year. Its expenditure during the year was roughly the same. This is an example of a
- a. balanced budget.
  - b. surplus budget.
  - c. deficit budget.



d. zero budget.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: The role of government  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The role of government  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Knowledge

134. The government redistributes income to the poor, primarily through

- a. progressive taxes.
- b. transfer payments.
- c. government purchases.
- d. both a and b.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: The role of government  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The role of government  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Comprehension

135. Progressive income taxes are designed to

- a. make the distribution of income less equal.
- b. leave unchanged the distribution of income.
- c. let the market determine the distribution of income after taxes.
- d. make the distribution of income more equal.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: Efficiency and equity  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Efficiency and equity  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Comprehension

136. Annual incomes of James, Jack, and Stanley are \$30,000, \$50,000, and \$80,000 and their tax rates are 10%, 20%, and 30% respectively. Which tax structure is this an example of?

- a. Proportional tax
- b. Progressive tax
- c. Regressive tax
- d. Digressive tax

**ANSWER:** b

**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Efficiency and equity  
**NATIONAL STANDARDS:** United States - BPRPOG: Analysis  
**ACCREDITING STANDARDS:** Efficiency and equity  
**TOPICS:** What's Missing from the Picture? Government  
**KEYWORDS:** BLOOM'S: Analysis

137. A mixed economy is one in which
- a. a mixture of businesses exist and function.
  - b. there is a mixture of public influence over government.
  - c. government plays a dominant role, and private markets are secondary.
  - d. there is some public influence over free markets.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics  
**TOPICS:** Conclusion: It's a Mixed Economy  
**KEYWORDS:** BLOOM'S: Comprehension

138. The United States is a fairly good example of
- a. a mixed economy.
  - b. a pure market system.
  - c. a government-dominated economy.
  - d. a manufacturing economy.
  - e. a transitioning economy.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Markets, market failure, and ext - Markets, market failure, and externalities  
**TOPICS:** Conclusion: It's a Mixed Economy  
**KEYWORDS:** BLOOM'S: Comprehension

139. All of the following are associated with a mixed economy except
- a. some public influence over the workings of free markets.
  - b. public ownership mixed in with private property.
  - c. homogenization.
  - d. different countries blending the state and market sectors in different ways.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics  
**TOPICS:** Conclusion: It's a Mixed Economy  
**KEYWORDS:** BLOOM'S: Comprehension

140. In a mixed economy

- a. all economies choose the same mix of private and public involvement in the economy.
- b. the government is more important than the private sector in generating output.
- c. there is some government influence over the workings of the free market.
- d. all of the above.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: The study of economics, an - DISC: The study of economics, and definitions in economics  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** The study of economics, and defi - The study of economics, and definitions of economics  
**TOPICS:** Conclusion: It's a Mixed Economy  
**KEYWORDS:** BLOOM'S: Comprehension

141. Unemployment rates in the U.S. are generally:

- a. higher than in Europe
- b. lower than in Europe
- c. about the same as in Europe
- d. there are no unemployed in Europe

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: Labor markets  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Labor markets  
**TOPICS:** The Inputs: Labor & Capital  
**KEYWORDS:** BLOOM'S: Comprehension

142. A typical American family sends about \_\_\_\_\_% of its budget on services.

- a. 20%
- b. 32%
- c. 66%

d. 70%

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Utility and consumer choice - DISC: Utility and consumer choice  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Utility and consumer choice  
**TOPICS:** The Outputs: What does America Produce?  
**KEYWORDS:** BLOOM'S: Comprehension

143. The largest share of the typical American family budget goes to:

- a. goods
- b. health care
- c. housing
- d. transportation

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Utility and consumer choice - DISC: Utility and consumer choice  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Utility and consumer choice  
**TOPICS:** The Outputs: What does America produce?  
**KEYWORDS:** BLOOM'S: Comprehension

## Essay

144. The U.S. economy is the largest in the world. What two factors primarily explain this? What makes the U.S. economy unique?

**ANSWER:** Sheer size of the country, with a population of about 320 million and a labor force of 144 million, contributes to the large production. But this cannot be the only element, or India's GDP would be three times as large. Efficiency is the second factor the U.S. economic system transforms inputs into output in a much more productive fashion. U.S. success is attributable to the free enterprise market system.

What makes the U.S. economy unique is its combination of prosperity and population. While there are several countries that are rich in terms of per capita GDP, they are relatively small because of their small population and geographic size. Other countries have immense populations, but have not achieved economic prosperity in terms of per capita GDP.

**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Measuring the Economy  
**NATIONAL STANDARDS:** United States - BPROG: Reflective Thinking - BPROG: Analysis  
**ACCREDITING STANDARDS:** Measuring the Economy  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Analysis

145. Differentiate between an open and a closed economy? Do you agree that US economy is more open among the advanced industrial countries in the world?

**ANSWER:** An economy is called relatively open if its exports and imports constitute a large share of its GDP. An economy is considered relatively closed if they constitute a small share.

No. The United States stands out as among the most closed economies of the advanced, industrial nations. We export and import a smaller share of GDP than nearly all advanced industrial nations.

**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** DISC: Measuring the Economy  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Measuring the Economy  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Comprehension

146. What important changes have occurred in the composition of the labor force since 1960? Is the popular image of the American worker as a factory worker accurate? Describe the types of jobs Americans are working in today.

**ANSWER:** The most important change is the increasing participation of women, who composed 30 percent of the labor force in 1960 but now account for more than half. This has led to discussions of wage discrimination against women and questions of parental leave. A second trend is a declining percentage of teenagers in the labor force, after peaking in the early 1970s. Teenagers typically hold entry-level jobs, suggesting why these jobs must be increasingly filled by other segments of the labor force (McDonalds may be hiring the elderly not just for public relations but due to the unavailability of youthful workers).

In 2013, just over 70 percent of American workers were employed in service-related industries, whereas only about 14 percent produced goods. Service workers included about 21.1 million in educational and health services, about 18.6 million in business and professional services, and over 15 million in retail trade. Manufacturing companies in the United States employed only 12 million people, and almost a third of those worked in offices rather than in the factory.

**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** DISC: Labor markets  
**NATIONAL STANDARDS:** United States - BPROG: Reflective Thinking - BPROG: Analysis  
**ACCREDITING STANDARDS:** Labor markets  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOMS: Application

147. Between 1960 and 2013 U.S. GDP, measured in dollars of constant purchasing power, expanded about 5.0 times. However, the standard of living only increased by 4 times over this period. Explain the difference.

**ANSWER:** GDP growth includes the effects of inflation and population growth, meaning there are more labor inputs in the economy. The standard of living is better measured by real GDP per capita. To obtain the standard of living from GDP, one must correct for the effect of population growth.

**POINTS:** 1  
**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Measuring the Economy  
**NATIONAL STANDARDS:** United States - BPROG: Analytic  
**ACCREDITING STANDARDS:** Measuring the Economy  
**TOPICS:** The American Economy: A Thumbnail Sketch  
**KEYWORDS:** BLOOM'S: Analysis

148. List five major economic activities of government, and give an example of each.

**ANSWER:**

1. Government as referee. Example: enforcing contracts, or supervising truth-in-lending laws.
2. Regulating business. Example: anti-trust laws, environmental laws.
3. Expenditures. Example: government pensions, national defense.
4. Taxes. Example: income, sales, property taxes.
5. Government as redistributor. Example: poverty programs, social security.

**POINTS:**

1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: The role of government

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** The role of government

**TOPICS:** What's Missing from the Picture? Government

**KEYWORDS:** BLOOMS: Application

149. Is the image of the typical American worker as a blue-collar worker true? Substantiate your answer with facts.

**ANSWER:** The Homer Simpson image of the typical American worker as a blue-collar worker is really quite misleading. The majority of American workers, like workers in all developed countries, produce services, not goods. In 2013, about 70 percent of all non-farm workers in the United States were employed by private service industries, whereas only 14 percent produced goods. By contrast, manufacturing companies in the United States employed only 12 million people, and almost a third of those worked in offices rather than in the factory.

**POINTS:**

1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Labor markets

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Labor markets

**TOPICS:** The Inputs: Labor and Capital

**KEYWORDS:** BLOOMS: Application

150. How does the United States compare to other nations on a per capita scale as far as government production and taxation?

**ANSWER:** Government production as a share of GDP is relatively low compared with other countries. Perhaps more surprising is that U.S. citizens are perhaps the most lightly taxed, at 30 percent of GDP. The cry for "No more taxes" may reflect a concern with government inefficiency, but Americans are mistaken if they believe their tax burden is high compared to other countries.

**POINTS:**

1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: Productivity and growth

**NATIONAL STANDARDS:** United States - BPROG: Reflective Thinking - BPROG: Analysis

**ACCREDITING STANDARDS:** Productivity and growth  
**TOPICS:** The Inputs: Labor and Capital  
**KEYWORDS:** BLOOM'S: Analysis

151. It is often asserted that the United States no longer manufactures anything, and that instead it imports manufactured goods from countries like China. Critically evaluate this claim.

**ANSWER:** If the claim were true then the share of GDP that the U.S. imports would have to be extremely high given the share of goods versus services in the U.S. economy. If we look at the data, only about 13 percent of U.S. GDP is imported and imports from China account for about one fifth of this. That means that over 80 percent of what Americans consume is made in the United States. Therefore this claim is false.

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** DISC: International trade and fi - DISC: International trade and finance

**NATIONAL STANDARDS:** United States - BPROG: Reflective Thinking - BPROG: Analysis

**ACCREDITING STANDARDS:** International trade and finance

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOMS: Application

152. A nation's citizens often dislike the economy's distribution of income. Explain two methods for creating a more equal distribution of income.

**ANSWER:** One method is to override the market distribution to force a more equal distribution of incomes. A second method, that is used to varying degrees in virtually all of the private-enterprise economies, is to use transfer payments, sums of money that individuals receive from the government without providing any goods or services in return. By taxing wealthier individuals and giving transfer payments to poorer individuals, a more equal distribution of after-tax income may be achieved.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: Efficiency and equity

**NATIONAL STANDARDS:** United States - BPROG: Reflective Thinking - BPROG: Analysis

**ACCREDITING STANDARDS:** Efficiency and equity

**TOPICS:** What's Missing from the Picture? Government

**KEYWORDS:** BLOOM'S: Analysis

153. What you mean by business cycles? What are their consequences?

**ANSWER:** Business cycles are periodic upswings and downswings in economic growth. One important consequence of these ups and downs in economic growth is that employment varies considerably from one year to the next.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities

**NATIONAL STANDARDS:** United States - BPROG: Analytic

**ACCREDITING STANDARDS:** Markets, market failure, and ext - Markets, market failure, and externalities

**TOPICS:** The American Economy: A Thumbnail Sketch

**KEYWORDS:** BLOOM'S: Analysis

154. All industrialized countries have become "service economies" in recent decades. Explain the reasons behind this shift.

**ANSWER:**

To a considerable degree, this shift to services reflects the arrival of the "Information Age." Activities related to computers, to research, to the transmission of information by teaching and publication, and other information-related activities are providing many of the new jobs. Technological change has also made it possible to produce more and more manufactured products using fewer and fewer workers. Such labor-saving innovation in manufacturing has allowed a considerable share of the labor force to move out of goods-producing jobs and into services.

**POINTS:**

1

**DIFFICULTY:**

Moderate

**LEARNING OBJECTIVES:**

DISC: Productivity and growth

**NATIONAL STANDARDS:**

United States - BPROG: Analytic

**ACCREDITING STANDARDS:**

Productivity and growth

**TOPICS:**

The Inputs: Labor and Capital

**KEYWORDS:**

BLOOM'S: Analysis

155. Define the following terms:

- a. Recession
- b. Mixed economy
- c. Transfer payments
- d. Progressive taxation

**ANSWER:**

- a. A recession is a period of time during which the total output of the economy falls.
- b. A mixed economy is one with some public influence over the workings of free markets. There may also be some public ownership mixed in with private property.
- c. Transfer payments are sums of money that certain individuals receive as outright grants from the government rather than as payments for services rendered.
- d. A tax is progressive if the ratio of taxes to income rises as income rises.

**POINTS:**

1

**DIFFICULTY:**

Easy

**LEARNING OBJECTIVES:**

DISC: The study of economics, and definitions in economics

**NATIONAL STANDARDS:**

United States - BPROG: Analytic

**ACCREDITING STANDARDS:**

The study of economics, and definitions of economics

**TOPICS:**

What's Missing from this Picture? Government

**KEYWORDS:**

BLOOM'S: Comprehension