

## Course Content

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## ECONOMICS HOME PAGE

### Self-Test

#### Economic Systems

Click the button next to the response that best answers the question.

- The former Soviet Union was an example of a communist country where
  - individual freedom was allowed.
  - free enterprise was encouraged.
  - consumers had many choices.
  - most economic and political power was controlled by the government.
- Which statement applies to all centrally-planned economies?
  - The government builds every house in every village.
  - The government encourages workers to innovate.
  - The government makes all important economic decisions.
  - The government places much emphasis on the production of consumer products.
- In a traditional economy, economic decisions are based largely on
  - custom.
  - science.
  - socialism.
  - technology.
- The self-regulating nature of the marketplace is called
  - self-interest.
  - the invisible hand.
  - equity.
  - the safety net.
- In an economy in transition from central planning to free enterprise, you might expect to see
  - state firms sold to private individuals or entities.
  - increased government presence in the factor and product markets.
  - private firms sold to the government.
  - increased job security.
- Which of the following countries is the most extreme example of a centrally-planned economy?
  - North Korea
  - Hong Kong
  - China
  - Great Britain
- The free enterprise system of the United States is best described as a
  - free market economy.
  - traditional economy.

- mixed economy with limited government intervention and a great deal of economic freedom.
- mixed economy with equal amounts of economic freedom and government intervention.
8. A social and political philosophy based on the belief that democratic means should be used to distribute wealth evenly throughout society is called
- socialism.
- communism.
- collectivism.
- authoritarianism.
9. The free market economist Adam Smith is NOT known for
- the circular flow model of a mixed economy.
- The Wealth of Nations*.
- the concept of the invisible hand.
- explaining the idea of laissez faire.
10. The circular flow model of a mixed economy shows
- only how firms and households interact.
- the physical flow and monetary flow between households and firms in both the product and factor markets.
- how government interacts with households and firms in the product and factor markets.
- how taxes and profits are related.
11. Socialists believe economic equality is only possible if
- everyone makes the same amount of money.
- the public controls the economy.
- medical care is free.
- no one has to pay taxes.
12. Competition and self-interest are two important forces in
- free market economies.
- traditional economies.
- centrally-planned economies.
- communist economies.
13. Which is a key economic question faced by all countries?
- How big should the army be?
- How much money should be raised in taxes?
- How many schools should be built?
- What goods and services should be produced?
14. In return for supplying the factors of production—land, labor, or capital—people receive
- salaries.
- factor payments.
- workers' compensation.
- social security.
15. The doctrine that government should not intervene in the marketplace is called
- socialism.
- laissez faire.
- the invisible hand.

- the trade-off doctrine.
16. Markets allow us to
- get the highest prices for what we sell.
  - get the lowest prices for what we buy.
  - sell the most goods we possibly can.
  - exchange things we have for things we want or need.
17. The government decides which goods and services will be produced in a
- market economy.
  - mixed economy.
  - fluctuating economy.
  - command economy.
18. Which economic goals are difficult to achieve in a pure market system?
- efficiency and freedom
  - equity and security
  - innovation and security
  - freedom and equity
19. How does specialization affect an economy?
- It makes the economy less efficient.
  - It results in more innovation.
  - It discourages entrepreneurs.
  - It prevents duplication of effort.
20. The circular flow model shows
- how profits are made.
  - what inputs are required for what outputs.
  - how many firms can support the needs of how many households.
  - the interactions between households and businesses in the free market.

Score My Test

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