Holt Economics Chapter Tests
with Answer Key

Chapter Tests for Holt Economics use objective and essay questions to evaluate student performance. The REVIEWING FACTS, IDENTIFYING IDEAS, and UNDERSTANDING IDEAS sections of the tests are designed to assess student knowledge and mastery of the subject matter. The COMPOSING AN ESSAY section provides students with the opportunity to synthesize and analyze ideas and issues. Each test is based on the 100-point scoring system, with two points for each question in the first three sections, and 40 points for the essay question. The Chapter Tests with Answer Key booklet is one of eight Holt Economics Teaching Resources booklets. The other booklets are:

DAILY QUIZZES with Answer Key
Daily Quizzes allow assessment of student comprehension for each section of the chapter. These quizzes utilize fill-in, matching, multiple choice, and true/false questions.

RETEACHING ACTIVITIES with Answer Key
Each Reteaching Activity for Holt Economics is organized by section. Reteaching activities review the content of each chapter and emphasize the main ideas.

CHALLENGE/ENRICHMENT ACTIVITIES with Answer Key
Each chapter of Holt Economics has a Challenge/Enrichment Activity. These activities offer a variety of approaches designed to explore textbook subjects in greater detail or to go beyond textbook material.

CONSUMER ECONOMICS ACTIVITIES with Answer Key
Each chapter of Holt Economics has a Consumer Economics Activity. These activities introduce students to some of the choices they will have to make as consumers in a free market.

MATHEMATICS FOR ECONOMICS ACTIVITIES with Answer Key
Mathematics for Economics activities allow students to look at economics in terms of a different academic discipline. Each activity applies mathematics to an economic concept.

UNIT TESTS AND UNIT LAB ACTIVITIES with Answer Key
Each Unit Test, which has the same format and scoring system as the Chapter Tests, assesses student understanding of the unit as a whole. The Unit Lab Activities provide checklists to aid students in completing the lab activities in the textbook.

SIMULATIONS AND STRATEGIES FOR TEACHING ECONOMICS
Each chapter of Holt Economics has a simulation or strategy. These simulations and strategies allow students to develop an understanding of economics through the undertaking of projects in group or individual settings. Simulations and strategies may be used in combination with teacher-directed lessons, as enrichment projects, or as performance-based assessments of content mastery.
Reviewing Facts  In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

1. A person who purchases goods and services
da. capital resource

2. A person who supplies goods and services
b. credit

3. Anything that is necessary for survival
c. entrepreneur

4. Anything people consume beyond what is necessary for survival
d. barter

5. A natural item, such as farmland, that is used to produce goods and services
e. consumer

6. A manufactured item, such as machinery, that is used to produce goods and services
f. need

7. A person who attempts to start a new business
g. natural resource

8. Situation in which each worker is assigned a small number of tasks
h. human resource

9. Used as a standardized basis of exchange
i. money

10. Allows consumers to pay for an item over time
j. division of labor

k. want

l. producer

Identifying Ideas  Fill in the blanks with the word or words that correctly complete each statement.

1. A person who studies economic choices is called an ____________________.

2. ____________________ are actions or activities done for others for a fee.

3. The goal of ____________________ is to develop a new combination of the factors of production to create something of value.

4. ____________________ forces people to make decisions about how to use resources effectively.

5. ____________________ is the level of output resulting from a given level of input.

6. Using minimum input to produce maximum output is called ____________________.

7. ____________________ ____________________ is the value of the next best alternative given up to obtain a particular item.

8. People use ____________________ ____________________ ____________________ to analyze trade-offs and opportunity costs in producing specific combinations of goods.

9. In the process known as ____________________, producers and consumers agree to provide one type of item for another.

10. The reliance among economic actors is known as ____________________.
CHAPTER 2
ECONOMIC SYSTEMS

REVIEWING FACTS  In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

___ 1. An economic system which relies on government officials to answer the three basic economic questions  
   a. private property  
   b. incentive  
   c. economic efficiency  
   d. market economy  
   e. product market  
   f. communism  
   g. capitalism  
   h. traditional economy  
   i. contract  
   j. standard of living  
   k. economic security  
   l. command economy

___ 2. An economic system in which the government plays no part in deciding what, how, and for whom products are produced

___ 3. Something that encourages people to behave in a certain way

___ 4. Another term for authoritarian socialism

___ 5. Mixed economy closest to the market model

___ 6. Goods owned by individuals and businesses

___ 7. A legally-binding oral or written agreement to buy or sell goods

___ 8. The part of the circular flow model that represents all of the exchanges of goods and services in an economy

___ 9. Goal concerned with making the best use of scarce resources

___ 10. Goal referring to a nation's efforts to protect its members from harmful economic situations

IDENTIFYING IDEAS  Fill in the blanks with the word or words that correctly complete each statement.

1. In a ________________________________, the answers to the three economic questions are based on custom and tradition.

2. ________________________________ is the force that directs the actions of individuals and businesses in a market system.

3. A ________________________________ combines elements of the models of pure economic systems.

4. ________________________________ is a mixed economy in which the government controls nearly all the factors of production.

5. Under ________________________________, government involvement in the economy is relatively limited.

6. The economies of many European nations—Sweden, for example—are said to practice ________________________________.

7. Economic rivalry, or ________________________________, develops among businesses that sell the same or similar products.

8. ________________________________ is the lowest possible level of unemployment in an economy.
REVIEWING FACTS In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

___ 1. The amount of a good or service that a consumer is willing and able to buy at each particular price
   a. demand schedule
   b. determinant of demand
   c. complementary good
   d. quantity demanded
   e. elasticity of demand
   f. demand curve
   g. income effect
   h. inelastic demand
   i. substitute good
   j. diminishing marginal utility
   k. substitution effect
   l. elastic demand

___ 2. Any increase or decrease in consumers' purchasing power caused by a change in price

___ 3. The tendency of consumers to purchase a similar, lower priced product instead of a relatively more expensive one

___ 4. A list which shows the relationship between the price of a good or service and the quantity that consumers demand

___ 5. A graph reflecting the relationship between the price of a good or service and the quantity that consumers demand

___ 6. A nonprice factor that affects demand for a product over time

___ 7. A product that can be used to replace the purchase of similar products when prices rise

___ 8. A product that is commonly used with other products

___ 9. Exists when a small change in a good's price has a large impact on the quantity demanded

___ 10. When a change in price has little impact on quantity demanded

IDENTIFYING IDEAS Fill in the blanks with the word or words that correctly complete each statement.

1. ____________________________ is the amount of a good or service consumers are willing and able to buy at various possible prices during a specified time period.

2. The key variable affecting demand is ____________________________.

3. According to the law of demand, there is an inverse, or opposite, relationship between price and the ____________________________.

4. The ____________________________, ____________________________ is any change in a consumer's purchasing power resulting from a change in price.

5. The term ____________________________ refers to the amount of satisfaction a person receives from consuming a product.

6. When the price of a product increases, the demand for that product's ____________________________, ____________________________ increases.

7. When the price of a product falls, the demand for that product's ____________________________, ____________________________ increases.

8. A product with ____________________________ demand is not a necessity.
Supply

Reviewing Facts  In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

1. The key motivation behind suppliers' behavior in providing goods to the marketplace
   a. tax  
   b. marginal product 
   c. variable costs 
   d. regulation 
   e. marginal costs 
   f. subsidy 
   g. fixed costs 
   h. depreciation 
   i. total costs 
   j. profit 
   k. total product 
   l. overhead

2. Payment to the government to help fund government services
   __  
   a. tax  
   b. marginal product 
   c. variable costs 
   d. regulation 
   e. marginal costs 
   f. subsidy 
   g. fixed costs 
   h. depreciation 
   i. total costs 
   j. profit 
   k. total product 
   l. overhead

3. Payment of money or benefits by the government to private businesses
   __  
   a. tax  
   b. marginal product 
   c. variable costs 
   d. regulation 
   e. marginal costs 
   f. subsidy 
   g. fixed costs 
   h. depreciation 
   i. total costs 
   j. profit 
   k. total product 
   l. overhead

4. All of the product a company makes in a given period of time
   __  
   a. tax  
   b. marginal product 
   c. variable costs 
   d. regulation 
   e. marginal costs 
   f. subsidy 
   g. fixed costs 
   h. depreciation 
   i. total costs 
   j. profit 
   k. total product 
   l. overhead

5. The change in output that occurs as a result of adding one more unit of input
   __  
   a. tax  
   b. marginal product 
   c. variable costs 
   d. regulation 
   e. marginal costs 
   f. subsidy 
   g. fixed costs 
   h. depreciation 
   i. total costs 
   j. profit 
   k. total product 
   l. overhead

6. Production costs that do not change as the level of output changes
   __  
   a. tax  
   b. marginal product 
   c. variable costs 
   d. regulation 
   e. marginal costs 
   f. subsidy 
   g. fixed costs 
   h. depreciation 
   i. total costs 
   j. profit 
   k. total product 
   l. overhead

7. The total fixed costs of a company
   __  
   a. tax  
   b. marginal product 
   c. variable costs 
   d. regulation 
   e. marginal costs 
   f. subsidy 
   g. fixed costs 
   h. depreciation 
   i. total costs 
   j. profit 
   k. total product 
   l. overhead

8. Production costs that change as output changes
   __  
   a. tax  
   b. marginal product 
   c. variable costs 
   d. regulation 
   e. marginal costs 
   f. subsidy 
   g. fixed costs 
   h. depreciation 
   i. total costs 
   j. profit 
   k. total product 
   l. overhead

9. The sum of the fixed costs and the variable costs
   __  
   a. tax  
   b. marginal product 
   c. variable costs 
   d. regulation 
   e. marginal costs 
   f. subsidy 
   g. fixed costs 
   h. depreciation 
   i. total costs 
   j. profit 
   k. total product 
   l. overhead

10. The costs of producing one more unit of output
    __
    a. tax  
    b. marginal product 
    c. variable costs 
    d. regulation 
    e. marginal costs 
    f. subsidy 
    g. fixed costs 
    h. depreciation 
    i. total costs 
    j. profit 
    k. total product 
    l. overhead

Identifying Ideas  Fill in the blanks with the word or words that correctly complete each statement.

1. According to the law of _______________, producers will supply fewer goods at lower prices and more goods at higher prices.
   a. supply  
   b. demand 
   c. law of demand  
   d. law of supply 

2. A list that shows the relationship between the price of a good or service and the quantity that producers will supply is called a _______________.
   a. demand schedule  
   b. supply schedule 
   c. demand curve  
   d. supply curve

3. A ___________________________ is a graph containing information from a supply schedule.
   a. demand schedule  
   b. supply schedule 
   c. demand curve  
   d. supply curve

4. When a small change in a good's price causes a major change in the quantity supplied, the supply is said to be _______________.
   a. elastic  
   b. inelastic  
   c. unitary  
   d. perfect

5. When a change in a good's price has little impact on the amount supplied, the supply is said to be _______________.
   a. elastic  
   b. inelastic  
   c. unitary  
   d. perfect

6. Loose government _______________ tend to increase supply.
   a. regulations  
   b. rules 
   c. laws  
   d. policies

7. Supply tends to _______________ when there is a lack of competition.
   a. increase  
   b. decrease  
   c. remain constant  
   d. fluctuate

8. The law of _______________ describes the effect that varying the level of an input has on total and marginal product.
   a. supply  
   b. demand 
   c. law of supply  
   d. law of demand
**Chapter 5**

**Prices**

**Reviewing Facts** In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

1. The system on which a free-enterprise economy primarily relies to answer the three economic questions
   - a. surplus
   - b. public good
   - c. incentive
   - d. positive externality
   - e. market failures
   - f. shortage
   - g. price ceiling
   - h. negative externality
   - i. instability
   - j. market equilibrium
   - k. price floor
   - l. price system

2. Limitations of the price system
3. When someone who does not produce or consume a product bears part of the cost of its production
4. When someone who does not produce or consume a product benefits from its production
5. May result from flexibility of the price system
6. Occurs when the quantity supplied and the quantity demanded for a product are equal at the same price
7. Exists when the quantity demanded is less than the quantity supplied
8. Exists when the quantity supplied is less than the quantity demanded
9. Government regulation that establishes a maximum price for a particular good
10. Government regulation that establishes a minimum level for prices

**Identifying Ideas** Fill in the blanks with the word or words that correctly complete each statement.

1. __________ serve as the main form of communication between consumers and producers in a free-enterprise market.

2. The price system brings about __________ in the marketplace by providing for the wise use of resources.

3. __________, or the ability to deal with change, is one of the strengths of the price system.

4. A __________ is any good or service that is consumed by all members of a group.

5. The needs of both consumers and producers are satisfied at __________

6. When a surplus exists in a market, prices tend to __________

7. When a shortage exists in a market, prices tend to __________

8. The __________ established by federal law, is the lowest amount an employer legally can pay a worker for a job.
CHAPTER 6

MARKET STRUCTURES

REVIEWING FACTS  In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

1. An ideal market structure in which consumers and producers each compete directly and fully under the laws of supply and demand
   a. Sherman Antitrust Act
   b. Interstate Commerce Act
   c. natural monopoly
d. product differentiation
   e. perfect competition
   f. patent
   g. laissez-faire
   h. price war
   i. oligopoly
   j. buyers
   k. sellers
   l. copyright

2. Also called consumers

3. Also called producers

4. Producers use this to set their products apart

5. A market dominated by a few large sellers

6. Occurs as a result of sellers undercutting each other's prices.

7. Gives a business or individual the exclusive right to produce, use, rent, or sell an invention or discovery

8. Gives authors, musicians, and artists exclusive rights to publish, duplicate, perform, display, and sell their creative works

9. Economic theory that states that economic systems prosper when the government does not interfere in the market

10. This act set the tone for antitrust legislation

IDENTIFYING IDEAS  Fill in the blanks with the word or words that correctly complete each statement.

1. In a __________________________ market, nothing prevents competition among both buyers and sellers.

2. Under perfect competition, buyers must be __________________________ about products.

3. Under perfect competition, sellers can enter and exit the market __________________________.

4. Under monopolistic competition, sellers differentiate their products through __________________________.

5. The main goal of product differentiation and nonprice competition is to increase __________________________.

6. Sellers in an oligopoly maintain a degree of control over prices through __________________________—being very responsive to the pricing actions of their competitors.

7. Sellers in an oligopoly sometimes form a __________________________, in which companies openly organize a system of price-setting and market sharing.

8. A __________________________ is a market structure in which a single seller controls the production of a good or service.
Chapter 7

Business Organizations

Reviewing Facts  In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

___ 1. Business that relies upon the work and organizational abilities of one person
   a. interest
   b. limited partnership
   c. collateral
   d. sole proprietorship
   e. cooperative
   f. corporation
   g. liability
   h. general partnership
   i. dividends
   j. zoning laws
   k. subsidiary
   l. merger

___ 2. Responsibility for debt

___ 3. Business in which partners have equal decision-making authority and unlimited liability

___ 4. Business in which some partners join as investors but rarely assist in day-to-day operations

___ 5. Business organization legally distinct from its owners and treated as if it were an individual

___ 6. Profits paid to shareholders

___ 7. Predetermined amount of money paid to a bondholder

___ 8. When one corporation joins with or absorbs another

___ 9. A distinct division of a conglomerate

___ 10. A type of business that is owned collectively by its members

Identifying Ideas  Fill in the blanks with the word or words that correctly complete each statement.

1. _______________________________ are government regulations that specify the areas in a city or county where various types of business activities can be pursued.

2. Sole proprietors must put up ____________________________ before a bank will loan them money.

3. A ____________________________ is a business owned and controlled by two or more people.

4. Lack of longevity is a disadvantage common to sole proprietorships and ____________________________.

5. A ________________________________ issued by the state, permits the formation of a new corporation.

6. A corporation commonly sells ____________________________ to raise funds.

7. Of the three major types of business organization, the ____________________________ is most closely regulated by government.

8. To expand their dominance of the production of one good or service, two or more companies can combine to form a ____________________________ combination.

9. Two or more companies that are involved in different phases of production of the same good or service might join together to form a ____________________________ combination.

10. A relatively recent form of corporate combination, known as a ____________________________, is a merger between two or more companies that produce unrelated products.
**CHAPTER 8**

**LABOR AND UNIONS**

**REVIEWING FACTS** In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

1. Reasons, other than money, for working at a particular job
   a. open shop
   b. intrinsic rewards
   c. lockout
   d. comparable worth
   e. capital-intensive
   f. fringe benefits
   g. industrial union
   h. primary boycott
   i. injunction
   j. mediation
   k. labor-intensive
   l. minimum wage

2. An economy dependent on machines to produce goods
3. An economy dependent on human power to produce goods
4. Type of union that includes all the workers in an industry
5. Business in which workers are not required to join a union
6. Nonwage payments such as sick days and vacation days
7. When a third party is called in to listen to both union and management and suggest ways to come to an agreement
8. Effort to stop purchases of a firm’s products
9. Occurs when an employer refuses to allow striking workers to return to work
10. Court order prohibiting workers from striking

**IDENTIFYING IDEAS** Fill in the blanks with the word or words that correctly complete each statement.

1. The demand for labor and other resources is ______________________ from the demand for goods and services.
2. Workers’ education levels increased dramatically after the passage of school __________________________ laws.
3. Some people argue that __________________________ is a form of discrimination because it offers special treatment to one group of citizens at the expense of another.
4. The first __________________________ was set in 1938 at 40 cents per hour.
5. In an effort to improve pay and working conditions, workers organized into __________________________
6. __________________________ was the first president of the American Federation of Labor.
7. Massive unemployment during the __________________________ of the 1930’s weakened the union movement.
9. __________________________ is based on the number of years a worker has been employed by the company.
CHAPTER 9

SOURCES OF CAPITAL

REVIEWING FACTS  In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

1. The money a person has available after taxes have been paid       a. annual percentage rate
2. Type of payment that remains the same from month to month       b. broker
3. Practiced when investors use money to create a new capital good  c. fixed expense
4. The difference between the higher selling price and lower        d. liquidity
   original purchase price of stock
5. Person who links the buyers and sellers of stock                e. disposable income
6. Interest on the money that is owed to a bondholder              f. finance charge
7. Equal amounts into which repayment of a loan is divided        g. real investment
8. The total cost of credit expressed in dollars and cents         h. yield
9. The total cost of credit expressed in percentage form           i. usury
10. Charging interest above the legal limit                        j. future
                                            k. installments
                                              l. capital gain

IDENTIFYING IDEAS  Fill in the blanks with the word or words that correctly complete each statement.

1. The nonconsumption of disposable income is called _________________.
2. When you deposit money in a financial institution, you receive a payment called ________________ in return for the use of your money.
3. State and federal deposit insurance provides ________________ for people who deposit money in a bank or some other type of financial institution.
4. In saving, the cost of high ________________ is low interest rates.
5. The ________________ of CDs range from less than a month to several years.
6. The ________________ ________________ tends to drop during periods of high unemployment.
7. Capital accumulation promotes economic ________________.
8. A ________________ is a person who lends money to a company.
9. Stock prices can be affected by ________________ ________________, such as the assassination of a world leader.
10. Creditors develop a ________________ ________________ to estimate the probability of a borrower repaying a loan.
CHAPTER 10  ECONOMIC PERFORMANCE

REVIEWING FACTS  In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

____ 1. Tracks consumption, income, and production in a nation’s economy
   a. nominal GDP
   b. real GDP
   c. trough
   d. capital-to-labor ratio
   e. price index
   f. lagging indicators
   g. coincident indicators
   h. national income accounting
   i. business cycle
   j. portfolio
   k. labor productivity
   l. gross national product

____ 2. Current GDP
____ 3. Set of statistics used to measure changes in prices over time
____ 4. Used as the primary measure of the U.S. economy until 1991
____ 5. Changes in economic activity that occur in a market system, measured in terms of increases or decreases in the GDP
____ 6. The final stage in the business cycle, when demand, production, and employment reach their lowest levels
____ 7. Economic variables that tell economists that an upturn or a downturn in the economy has occurred
____ 8. Economic variables that help economists predict the duration of economic upturns or downturns
____ 9. How much each worker produces in a given period of time
____ 10. The amount of capital stock available per worker

IDENTIFYING IDEAS  Fill in the blanks with the word or words that correctly complete each statement.

1. ________________________________ is the most commonly used national income and product account.

2. Four sectors of the ________________________________ combine to make up GDP.

3. Economists use the ________________________________ model to compute GDP.

4. Economists use ________________________________ to measure changes in prices over time.

5. Because it does not include depreciation, ________________________________ domestic product is a more representative measure of a nation's actual output of new goods than GDP.

6. High levels of business investment promote ________________________________ in the business cycle.

7. To anticipate which direction the economy is headed, economists examine ________________________________ indicators.


9. An expanded ________________________________ is a benefit of economic growth that gives government more money to spend on such things as education.
Chapter 11: Economic Challenges

Reviewing Facts  In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

1. The most closely watched labor force statistic
   - a. demand-pull inflation
   - b. unemployment rate
   - c. market basket
   - d. aggregate supply
   - e. aggregate demand
   - f. deflation
   - g. cost-push inflation
   - h. inflation
   - i. poverty threshold
   - j. seasonal unemployment
   - k. structural unemployment
   - l. cyclical unemployment

2. Type of unemployment that occurs as a result of the way the economy is structured

3. The type of unemployment that is most harmful to the economy

4. The total amount of goods and services produced throughout the economy

5. Reduces the real purchasing power of the dollar

6. Boosts the real purchasing power of the dollar

7. Type of inflation that occurs when aggregate demand increases faster than the economy's productive capacity

8. Type of inflation that occurs when producers raise prices to cover higher production costs

9. Sample used to calculate the consumer price index

10. The lowest income, as determined by the government, that a family needs to maintain a basic standard of living

Identifying Ideas  Fill in the blanks with the word or words that correctly complete each statement.

1. ________________ workers are people who once held productive jobs but have given up looking for work.

2. Both unemployment and ________________ represent wasted resources and lost output.

3. Economists generally consider an unemployment rate of about 5 percent to represent ________________.

4. ________________ unemployment reflects workers' freedom of choice in the labor market.

5. Economists call regular fluctuations in jobs ________________ unemployment.

6. In 1933, during the ________________, unemployment reached an all-time high of about 25 percent of the labor force.

7. The total amount of spending by individuals and businesses throughout the economy is called ________________.

8. ________________ is an increase in the average price level of all goods and services.

9. ________________ shocks are one of the main sources of cost-push inflation.

10. ________________, the worst degree of inflation, can result in complete economic collapse.
**Role of Government**

**Reviewing Facts**  In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

1. Supported by most Americans prior to the Great Depression
   - a. GI Bill of Rights

2. Legislation that provided funds for veterans to attend college
   - b. laissez-faire

3. Protects workers from discriminatory hiring and firing practices
   - c. lobbyist

4. Government makes these available to all citizens
   - d. public goods

5. Refers to the sale of government property or the handling of certain public services by private businesses
   - e. Great Depression

6. Designed to reduce the gap between the rich and the poor
   - f. Public Citizen

7. The government expanded its role in stabilizing the economy in response to this event
   - g. EEOC

8. An organization of citizens who work together to achieve their common goals
   - h. market failure

9. Interest group led by Ralph Nader
   - i. interest group

10. Person hired to advance a point of view to legislators
    - j. New Deal

11. Transfer payments
    - k. transfer payments

12. Privatization
    - l. privatization

**Identifying Ideas**  Fill in the blanks with the word or words that correctly complete each statement.

1. The United States is the world's ____________________-most-populous nation.

2. Some of President Franklin D. Roosevelt's reform programs, known as the ____________________-remains a central part of government today.

3. A national ____________________, such as a war, can cause government to increase in size.

4. About half of all ____________________expenses go toward paying for insurance benefits and interest on debts.

5. Enforcement of OSHA regulations has helped to decrease injuries in the ____________________

6. The Food and ____________________protects consumers from unsafe medicine.

7. The purpose of government ____________________legislation is to promote competition in the marketplace.

8. Federal, state, and local governments frequently share the responsibility of funding and distributing ____________________

9. The government makes ____________________ when it takes money collected from one group of citizens and distributes to another group of citizens.

10. Government regulation may indirectly increase prices by raising the costs of ____________________
CHAPTER 13
MONEY AND THE BANKING SYSTEM

REVIEWING FACTS In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

1. Anything accepted in exchange for goods and services
   a. deregulation

2. Enables people to judge the relative worth of items
   b. money

3. Money must be nonperishable and must keep its value over time
   c. specie

4. Gold or silver coins
   d. commodity money

5. Form of fiat money used by the majority of nations today
   e. gold standard

6. Term for financial assets, such as savings accounts, that are not usually considered part of the nation's money supply
   f. standard of value

7. Allows people to exchange banknotes for gold and keeps the government from issuing an unlimited number of banknotes
   g. debit card

8. Card inserted into a point-of-sale terminal to transfer money from the buyer's account into the seller's account
   h. near money

9. Major trend resulting in more competition in banking and the rise in regional banking in the United States
   i. currency

10. Failure to make payments on a loan
    j. fiat money

    k. default

    l. store of value

IDENTIFYING IDEAS Fill in the blanks with the word or words that correctly complete each statement.

1. A medium of ______________________ is any item that sellers accept in payment for products.

2. ______________________ refers to money's ability to be used over and over again.

3. When money can be carried from one place to another and transferred from one person to another, it has the characteristic of ______________________.

4. Money has the characteristic of ______________________ when people are willing to accept it in exchange for their goods and services.

5. The amount of specie held by a government defines the worth of ______________________ money.

6. The value of ______________________ money stems from citizens' faith in the government.

7. The Federal Reserve system is the nation's ______________________ bank.

8. The ______________________ Act of 1934 removed the United States from the gold standard.

9. Higher interest rates on savings and lower interest rates on loans are more commonly offered at ______________________ than at other financial institutions.

10. The ______________________ crisis was perhaps the most visible sign of instability in U.S. banking during the 1980s.
Chapter 14: The Federal Reserve and Monetary Policy

Reviewing Facts

1. A system in which virtually all smaller, local banks deposit some of their reserves at larger city banks
   a. check clearing
   b. discount rate
   c. pyramided reserves
   d. tight-money policy
   e. moral suasion
   f. monetary policy
   g. prime rate
   h. money supply
   i. Treasury Department
   j. easy-money policy
   k. reserve requirement
   l. margin requirement

2. Keeps track of the billions of financial transactions

3. Agency which serves as the U.S. government's banker

4. The amount of money in circulation in the U.S. economy

5. This policy is used to expand the money supply

6. This policy is used to contract the money supply

7. Interest rate the Fed charges member banks

8. Interest rate that commercial banks charge on loans to their most reliable business customers

9. An increase in this type of requirement causes banks to cut back on the number of loans they make

10. Stock market investment is discouraged when this type of requirement is high

Identifying Ideas

1. The ________________ of 1907 was caused, in part, by the lack of a mechanism for expanding the amount of money in circulation.

2. During times of prosperity, a system of ________________ reserves encourages business expansion, because large commercial banks receive more deposits and have more funds to loan.

3. Membership in the Fed is optional for ________________ banks.

4. There are 12 separate Federal Reserve ________________ banks.

5. One of the Fed's main roles is to supervise and provide services to ________________.

6. Most Federal Reserve loans are sought for seasonal factors, natural disasters, and ________________.

7. The Treasury Department collects taxes through the IRS and the U.S. ________________.

8. The ________________ is the U.S. government's bank.

9. The development of ________________ has allowed savings accounts to serve many of the same purposes as checking accounts.

10. The main tool the Fed uses in putting monetary policy to work is ________________ operations.
**Reviewing Facts**  In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

1. Taxing, spending, and borrowing used by the government to influence the economy
2. A tax placed on the assets of a person who has died
3. Tax on goods brought into the United States
4. Special tax breaks that the government extends to businesses to encourage investment in new capital
5. Permits companies to deduct from their corporate income taxes a portion of the money that they spend on new capital
6. Decreases taxes and increases government spending
7. Summary of the ways the government uses fiscal policy
8. When the government's expenditures exceed its revenues
9. When the government's revenues exceed its expenditures
10. The total amount that the federal government owes

**Identifying Ideas**  Fill in the blanks with the word or words that correctly complete each statement.

1. A _____________ tax takes a larger percentage of income from a high-income person than from a low-income person.
2. A _____________ tax takes a larger percentage of income from a low-income person than from a high-income person.
3. ________________ taxes are both proportional and regressive.
4. The ________________ tax is often controversial because it does not take a person’s income into account.
5. ________________ taxes do not apply to many higher cost items.
6. ________________ economics focuses on increasing the supply of goods and services throughout the economy.
7. The ________________ Act of 1946, in effect, defined economic stability and growth as goals of the federal government.
8. Economists call the negative side effects of restrictive fiscal policy as “______________” on the economy.
9. Over the years, Congress has approved several ________________, which legislated limits on the size of the national debt.
Reviewing Facts  
In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

1. Under this economic system, the government owns most capital  
   a. socialism  
   b. iron rice bowl  
   c. market system  
   d. manorialism  
   e. nationalization  
   f. Tiananmen Square Massacre  
   g. collectivization  
   h. market socialism  
   i. Cultural Revolution  
   j. Four Modernizations  
   k. capitalism  
   l. command system

2. Most capital is privately owned under this economic system

3. Individuals answer economic questions under this system

4. The government answers economic questions under this system

5. In this mixed economic system, the government controls major industries and individuals make some decisions

6. When government purchases a private firm

7. When the state takes control of land to form large state-run farms

8. Under this system, farmwork was done in small units called production brigades

9. Movement aimed at safeguarding Chinese communism

10. Chinese government troops killed hundreds and wounded thousands of protesters in this 1989 tragedy

Identifying Ideas  
Fill in the blanks with the word or words that correctly complete each statement.

1. Individuals generally own most resources in a capitalist, or ________________, economy.

2. In ________________, economies, the state makes most economic decisions.

3. Cuba and North Korea use the ________________, ________________, ________________ model.

4. Between 1500 and 1800, the governments of major European countries used ________________ to direct their economies.

5. ________________, ________________, ________________ wrote that the profit motive would make a free economic system efficient.

6. France has long had a ________________ economy.

7. Under ________________, taxes in Sweden were among the highest in Europe.

8. ________________, ________________, ________________, believed that after the workers had overthrown capitalism they would organize a "dictatorship of the proletariat."

9. Soviet leader Mikhail Gorbachev introduced a new economic policy that was called ________________, or "restructuring."

10. The Great Leap Forward established collective farms called ________________, ________________.
**CHAPTER 17**

DEVELOPING COUNTRIES

**Reviewing Facts**  In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

1. Used by economists to classify the world's industrialized nations
   a. privatization
   b. expropriation
   c. central planning
   d. developed nations
   e. capital formation
   f. land reform
   g. subsistence agriculture
   h. nationalization
   i. arable land
   j. developing nations
   k. multinational corporation
   l. one-crop economy

2. Nations characterized by rapid population growth rate
3. Producing just enough to meet basic needs
4. Economy that depends on the world price of a single commodity
5. The accumulation of financial resources and capital goods
6. Situation in which the government compensates the owner prior to assuming ownership and control of a business
7. Situation in which the government does not compensate the owner prior to assuming ownership and control of a business
8. Selling public assets to individuals or private businesses
9. The redistribution of land
10. A company that owns production facilities in more than one country and produces and markets its products abroad

**Identifying Ideas**  Fill in the blanks with the word or words that correctly complete each statement.

1. Most European nations are classified as _______________ nations.
2. _______________ often slowed economic development in much of Asia and Africa.
3. Most of the increase in the world's population over the next few years will occur in _______________ nations.
4. To increase its output of goods and services, a developing nation must improve the quality and _______________ of the _______________.
5. Lack of savings, lack of private investment, and rapid deterioration of existing capital hinder _______________ in developing nations.
6. The biggest advantage of _______________ is the government's ability to direct resources and production toward specific economic goals.
7. The biggest advantage of the _______________ model of decision making is the opportunities for individuals to make economic choices.
8. Scarcity prevents any nation from satisfying all its needs and wants. Therefore, a developing nation must make _______________ when it makes an economic plan.
9. As a nation's resources or _______________ increase, its production possibility curve shifts to the right.
**CHAPTER 18**

**INTERNATIONAL TRADE**

**REVIEWING FACTS** In the space provided, write the letter of the term or phrase that matches each description. Some answers will not be used.

1. When a nation can produce a good more efficiently than any other nation
   a. balance of trade
   b. floating exchange rate
   c. appreciation
   d. trade barrier
   e. absolute advantage
   f. trade deficit
   g. adjustable-peg system
   h. foreign exchange market
   i. revenue tariff
   j. protective tariff
   k. comparative advantage
   l. foreign exchange rate

2. Term describing a situation in which a nation has the largest absolute advantage in producing an item

3. Market where international currencies are bought and sold

4. One currency's value in relation to that of another

5. This system temporarily establishes the value of the currency of one nation in relation to other currencies

6. This occurs when a nation's currency increases in value compared to other nations' currencies

7. When supply and demand determine currency values

8. The difference between a nation's imports and exports

9. A situation in which a nation imports more than it exports

10. A tax on imports designed to raise money for the government

**IDENTIFYING IDEAS** Fill in the blanks with the word or words that correctly complete each statement.

1. ___________________________ and economic interdependence serve as the basis for international trade.

2. Without ___________________________, a nation can consume only the goods and services it produces.

3. Currencies are converted into other currencies through the ___________________________ market.

4. When a country's international receipts exceed its ___________________________, that country has a balance of payments surplus.

5. A ___________________________ is any tax on imported goods.

6. A ___________________________ tariff protects domestic industries from foreign competition.

7. The ___________________________ Act of 1890 totally excluded many foreign competitors from American markets because it set such high tariffs.

8. An ___________________________ sets a fixed amount of a product that can be imported.

9. ___________________________ is international trade that is not subject to government regulation.

10. Both free-trade supporters and ___________________________ believe that industries vital to national security should be protected.