**Chapter 2 and Chapter 3 Study Guide**

\_\_\_\_ 1. right of a government to take private property for public use

\_\_\_\_ 2. shared good that is more practical for the government to provide than private business

\_\_\_\_ 3. situation in which the free market does not distribute resources efficiently

\_\_\_\_ 4. principle that people may decide what, when, and how they want to buy and sell

\_\_\_\_ 5. direct payments of money by the government to poor, disabled, or retired people

\_\_\_\_ 6. incentive that drives businesses to make decisions that improve their material well-being

\_\_\_\_ 7. goods and services provided for free or at greatly reduced prices

\_\_\_\_ 8. principle that people have the right to control their possessions and use them as they wish

\_\_\_\_ 9. commitment to the value of work

\_\_\_\_ 10. the principle that everyone has the same legal rights

11. An individual’s own personal gain is \_\_\_\_\_\_\_.

12. An arrangement that allows buyers and sellers to exchange things is a(n) \_\_\_\_\_\_\_.

13. The hope of reward that encourages a person to behave in a certain way is a(n) \_\_\_\_\_\_\_.

14. Congress passed \_\_\_\_\_\_\_\_ that require companies to inform consumers about the products they sell.

15. The right of \_\_\_\_\_\_\_\_ allows people to buy or sell what they choose.

16. The government may take private property by \_\_\_\_\_\_\_\_\_\_\_, but it must compensate owners.

17. Public goods are financed by the \_\_\_\_\_\_\_.

18. A public good is an example of a \_\_\_\_\_\_\_\_.

19. A positive side effect of a public or private good is called a positive \_\_\_\_\_\_\_.

20. The part of the economy that involves transactions between individuals and businesses is the \_\_\_\_\_\_\_.

\_\_\_\_ 21. Why might the Soviet planners have favored heavy industry over the makers of consumer goods?

\_\_\_\_ 22. Which of the following is handled by individuals instead of government in a free market economy?

|  |  |
| --- | --- |
|  | national defense/public education/ investment options/mass transit? |

\_\_\_\_ 23. What does the process of specialization do for an economy?

\_\_\_\_ 24. What is the product market?

\_\_ 25. SKIP

\_\_\_\_ 26. In which of the following lists of mixed economies does the free market system dominate?

|  |  |
| --- | --- |
| a. | France, Canada, South Africa, United Kingdom |
| b. | United States, United Kingdom, Singapore, Hong Kong |
| c. | Cuba, Greece, China, United States |
| d. | Russia, Peru, France, Canada |

\_\_\_\_ 27. What might be a hardship for citizens of a centrally planned economy making a transition to a free market economy?

|  |  |
| --- | --- |
| a. | Farmers would have to grow the crops that the government instructed them to. |
| b. | Only poor quality goods would become available to consumers. |
| c. | Workers would lose job security and guaranteed incomes. |
| d. | Entrepreneurs would have fewer opportunities to start new businesses. |

\_\_\_\_ 28. An economy in which all the boys become farmers when they are adults, just as their fathers and grandfathers did, would be an example of a

\_\_\_\_ 29. How can specialization benefit an economy?

\_\_\_\_ 30. What happens in the product market?

\_\_\_\_ 31. In one community, people follow customs when producing goods. This community is an example of what kind of economy?

\_\_\_\_ 32. Improved technology helps create a higher standard of living for future generations by

\_\_\_\_ 33. Which are the government’s three goals for promoting economic strength?

\_\_\_\_ 34. What is one way government could limit negative externalities of a new highway?

\_\_\_\_ 35. The most common in-kind benefits are

\_\_\_\_ 36. Health insurance for the elderly, the poor, and the disabled is provided by

\_\_\_\_ 37. Education programs make the economy more productive by

\_\_\_\_ 38. What is the difference between a business cycle and the day-to-day fluctuations of the stock market?

\_\_\_\_ 39. SKIP

\_\_\_\_ 40. Which of the following arguments might someone make in support of in-kind benefits?

|  |  |
| --- | --- |
| a. | Finding affordable housing can help people search for a job. |
| b. | Young people should not have to pay money that goes to retirees. |
| c. | Worker’s compensation helps people get back to work. |
| d. | If people cannot afford a lawyer, they should not commit crimes. |

\_\_\_\_ 41. You read an article in a news magazine that explains how the economy expanded for several years, and then went into a period of contraction. What is the main subject of this article?

\_\_\_\_ 42. Why does the government protect inventors and authors by offering them patents and copyrights?

\_\_\_\_ 43. Which of the following is the best example of a public good?

|  |  |
| --- | --- |
| a. | a highway system |
| b. | a shopping mall |
| c. | a country club |
| d. | a movie theater |

\_\_\_\_ 44. Each payday, some of your pay is withheld as payroll deductions for Social Security. What happens to the money that is withheld?

\_\_\_\_ 45. Which of the following actions might a free market government take to encourage the development of new technology?

|  |  |
| --- | --- |
| a. | invest in more technological training for the public |
| b. | prohibit companies from using new technology |
| c. | require business leaders to increase their use of technology |
| d. | discourage use of technology by taxing new inventions |

\_\_\_\_ 46. Why is legal equality important to the free enterprise system?

\_\_\_\_ 47. SKIP

\_\_\_\_ 48. The city airport opens a new runway. Neighbors complain that the noise of the airplanes is too loud. What is this noise an example of?

\_\_\_\_ 49. Jeff and Margaret qualify for Section 8 housing. This federal program provides housing at a reduced cost. What kind of benefit are Jeff and Margaret receiving?

\_\_\_\_ 50. Your public radio station has a campaign to raise funding for the year. You do not contribute, but you still listen to the channel. What is this situation