PREVIEW CLOSE

Quiz: The Ups and Downs of the Economy

Question 1a of 10 (2 Standard of living 221471)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following best explains the standard of living?

	Choice	Feedback
A.	The set of rules for homeownership.	
*B.	How much an average person can afford to buy.	Correct! The standard of living is a measurement of how many goods and services the average person can afford to buy.
C.	A measurement of tax levels.	
D.	The rate of inflation for prices of normal goods.	

Global Incorrect Feedback
The correct answer is: How much an average person can afford to buy. The standard of living is a measurement of how many goods and services the average person can afford to buy.

Question 1b of 10 (2 Standard of living 221472)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following results in an increase in the standard of living?

	Choice	Feedback
A.	Wages go up to correct for the inflation of prices.	
*B.	Income increases, enabling consumers to buy more goods and services.	Correct! The standard of living goes up when people can afford to buy more.
C.	Rising production costs drive up the price of goods and services.	
D.	An increase in unemployment pushes down the cost of production.	

Global Incorrect Feedback
The correct answer is: Income increases, enabling consumers to buy more goods and services. The standard of living goes up when people can afford to buy more.

Question 1c of 10 (2 Standard of living 221473)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following is required for the standard of living to go up?

	Choice	Feedback
*A.	Either prices go down or income goes up.	Correct! When either prices fall or incomes rise, people can afford to buy more goods and services.
B.	A recession turns into a recovery.	
C.	Unemployment and production costs drop.	
D.	Hyperinflation combines with productivity.	

Global Incorrect Feedback
The correct answer is: Either prices go down or income goes up. When prices fall or incomes rise, people can afford to buy more goods and services.

Question 2a of 10 (2 Trade 221474)

Maximum Attempts: 1
Question Type: Matching
Maximum Score: 2
Question: Match each term with the benefit it brings.

Choice Text	Correct Match	Match Text
A. Competition	B.	Enables skill improvements and raises efficiency.
B. Specialization	A.	Drives people to work harder and faster.
C. Trade	C.	Allows the creation of new markets.

Attempt	Incorrect Feedback
1st	

	Correct Feedback
	Correct!

	Global Incorrect Feedback
	The correct answer is: Competition: Drives people to work harder and faster; Specialization: Enables skill improvements and raises efficiency; Trade: Allows the creation of new markets.

Question 2b of 10 (2 Trade 221475)

Maximum Attempts: 1
Question Type: Matching
Maximum Score: 2
Question: Match the benefit with the concept that supports that benefit.

Choice Text	Correct Match	Match Text
A. Increases efficiency.	C.	Trade
B. Gives consumers more options.	A.	Specialization
C. Provides a diversity of goods.	B.	Competition

Attempt	Incorrect Feedback
1st	

	Correct Feedback
	Correct!

	Global Incorrect Feedback
	The correct answer is: Increases efficiency: Specialization; Gives consumers more options: Competition; Provides a diversity of goods: Trade.

Question 2c of 10 (2 Trade 221476)

Maximum Attempts: 1
Question Type: Matching
Maximum Score: 2
Question: Match the effect with the cause.

Choice Text	Correct Match	Match Text
A. Resources can be moved where they're needed.	C.	Specialization
B. Workers have an incentive to improve their skills.	A.	Trade
C. Wasted movements are eliminated.	B.	Competition

Attempt	Incorrect Feedback
1st	

	Correct Feedback
	Correct!

	Global Incorrect Feedback
	The correct answer is: Resources can be moved where they're needed: Trade; Workers have an incentive to improve their skills: Competition; Wasted movements are eliminated: Specialization.

Question 3a of 10 (2 Trade 221477)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following is one result of international trade?

	Choice	Feedback
A.	Trade reduces competition.	
B.	Trade drives prices higher.	
*C.	Trade creates new markets.	Correct! By getting goods from one area to another, international trade often results in new markets for goods that were once available only in certain places.
D.	Trade increases protectionism.	

Global Incorrect Feedback
The correct answer is: Trade creates new markets. By getting goods from one area to another, international trade often results in new markets for goods that were once available only in certain places.

Question 3b of 10 (2 Trade 221478)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following best explains how trade enhances efficiency?

	Choice	Feedback
*A.	Trade gets productive resources from one place to another where they're more needed.	Correct! By enabling productive resources to go where they're needed, these resources won't go to waste.
B.	Trade drives prices higher.	
C.	Trade reduces competition.	
D.	Trade increases protectionism.	

Global Incorrect Feedback
The correct answer is: Trade gets productive resources from one place to another where they're more needed. By enabling productive resources to go where they're needed, these resources won't go to waste.

Question 3c of 10 (2 Trade 221479)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following best explains how trade enables greater specialization among producers?

	Choice	Feedback
A.	Trade enables producers to open up new markets for their goods and services.	
B.	Trade requires distribution networks and adds one more step to the production process.	
C.	Trade diversifies the market by bringing specialized goods from around the world.	
*D.	Trade allows people to focus on one kind of production and trade for their other needs.	Correct! Without trade, people would need to fulfill all of their needs themselves instead of specializing in a particular form of production.

Global Incorrect Feedback
The correct answer is: Trade allows people to focus on one kind of production and trade for their other needs. Without trade, people would need to fulfill all of their needs themselves instead of specializing in a particular form of production.

Question 4a of 10 (1 Trade 221480)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following is an example of a protectionist trade policy?

	Choice	Feedback
*A.	A tariff	Correct! Tariffs raise the prices of imports, thus protecting domestic industry against international competition.
B.	Unions	
C.	A sales tax	
D.	The minimum wage	

Global Incorrect Feedback
The correct answer is: A tariff. Tariffs raise the prices of imports, thus protecting domestic industry against international competition.

Question 4b of 10 (1 Trade 221481)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following is an example of a government policy that protects domestic producers against international competition?

	Choice	Feedback
A.	Trade triangles	
B.	Income tax	
*C.	Subsidies	Correct! Subsidies provide money to domestic companies to allow them to keep prices low and better compete with foreign producers.
D.	Unemployment insurance	

Global Incorrect Feedback
The correct answer is: Subsidies. Subsidies provide money to domestic companies to allow them to keep prices low and better compete with foreign producers.

Question 4c of 10 (1 Trade 221482)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following best explains the purpose of protectionist trade policies such as tariffs and subsidies?

	Choice	Feedback
A.	They make sure that governments have enough money to pay for fiscal policies.	
B.	They give foreign competitors access to new markets around the world.	
*C.	They allow producers to sell their products more cheaply than foreign competitors.	Correct! By giving financial assistance to businesses in its own country, the government can prevent foreign competitors from underselling domestic producers.
D.	They enable producers to purchase productive resources from everywhere in the world.	

Global Incorrect Feedback
The correct answer is: They allow domestic producers to sell their products more cheaply than foreign competitors. By giving financial assistance to businesses in its own country, the government can prevent foreign competitors from underselling domestic producers.

Question 5a of 10 (1 Business cycle 221483)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following comes after a period of recession in the business cycle?

	Choice	Feedback
A.	A boom	
*B.	Recovery	Correct! Recovery comes when more people get hired and consumers begin spending more.
C.	A drought	
D.	Stagflation	

Global Incorrect Feedback
The correct answer is: Recovery. Recovery comes when more people get hired and consumers begin spending more.

Question 5b of 10 (1 Business cycle 221484)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following comes after a period of recovery in the business cycle?

	Choice	Feedback
A.	A depression	
*B.	A boom	Correct! There's more spending and employment during a recovery, which leads to a period of increasing prosperity.
C.	A recession	
D.	Hyperinflation	

Global Incorrect Feedback
The correct answer is: A boom. There's more spending and employment during a recovery, which leads to a period of increasing prosperity.

Question 5c of 10 (1 Business cycle 221485)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following happens when unemployment increases during a recession?

	Choice	Feedback
*A.	There's a depression.	Correct! Unemployment is already high during a recession, and things get worse when unemployment goes even higher.
B.	There's a recovery.	
C.	There's a boom period.	
D.	There's cost-push inflation.	

Global Incorrect Feedback
The correct answer is: There's a depression. Unemployment is already high during a recession, and things get worse when unemployment goes even higher.

Question 6a of 10 (2 Business cycle 221486)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following is one of the main causes of inflation?

	Choice	Feedback
A.	Wages drop so workers have to spend a higher percentage of income on necessities.	
B.	Rising unemployment cuts into national income.	
C.	Demand drops and forces producers to charge more to meet their costs.	
*D.	Consumers demand goods faster than they can be supplied.	Correct! When rising consumer demand pushes up prices, there's demand-pull inflation.

Global Incorrect Feedback
The correct answer is: Consumers demand goods faster than they can be supplied. When rising consumer demand pushes up prices, there's demand-pull inflation.

Question 6b of 10 (2 Business cycle 221487)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following best explains cost-push inflation?

	Choice	Feedback
*A.	Increasing wages for workers drive up the cost of production, forcing producers to charge more to meet their costs.	Correct! When the cost of production rises, prices are driven upward.
B.	Rising prices for goods and services reduce spending power and cut into consumer demand.	
C.	Wages drop so that workers have to spend a higher percentage of income on the cost of necessities.	
D.	Consumers demand goods faster than they can be supplied, increasing competition among buyers.	

Global Incorrect Feedback
The correct answer is: Increasing wages for workers drive up the cost of production, forcing producers to charge more to meet their costs. When the cost of production rises, prices are driven upward.

Question 6c of 10 (2 Business cycle 221488)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following is one of the main factors driving prices for goods and services upward?

	Choice	Feedback
A.	Unemployment increases competition among workers so that wages are pushed upwards.	
B.	People demand more services from the government so that there's a budget deficit.	
*C.	Production costs increase so that producers need to charge more to make a profit.	Correct! When the cost of production rises, prices are driven upward.
D.	Wages drop so that workers have to spend a higher percentage of income on the cost of necessities.	

Global Incorrect Feedback
The correct answer is: Production costs increase so that producers need to charge more to make a profit. When the cost of production rises, prices are driven upward.

Question 7a of 10 (1 Business cycle 221489)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following is an exogenous factor that affects the business cycle?

	Choice	Feedback
*A.	Natural disasters.	Correct! Natural disasters have important economic effects, but the economic system cannot control the occurrence of natural disasters.
B.	Fiscal and monetary policy.	
C.	The level of unemployment.	
D.	The Law of Supply and Demand.	

Global Incorrect Feedback
The correct answer is: Natural disasters. Natural disasters have important economic effects, but the economic system cannot control the occurrence of natural disasters.

Question 7b of 10 (1 Business cycle 221490)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following is an example of a monetary policy?

	Choice	Feedback
A.	The government lowers taxes and increases spending.	
*B.	The government restricts the amount of money that banks can lend.	Correct! Monetary policy concerns government action to control the money supply, and restricting the amount of money that can be lent results in a restricted money supply.
C.	The government pays for repairing damage from a natural disaster.	
D.	The government requires credit card companies to protect customers' privacy.	

Global Incorrect Feedback
The correct answer is: The government restricts the amount of money that banks can lend. Monetary policy concerns government action to control the money supply, and restricting the amount of money that can be lent results in a restricted money supply.

Question 7c of 10 (1 Business cycle 221491)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following is an example of a fiscal policy?

	Choice	Feedback
A.	A company lays off workers.	
B.	A union goes on strike.	
C.	Banks raise interest rates.	
*D.	The government cuts taxes.	Correct! Fiscal policy concerns government taxation and spending.

Global Incorrect Feedback
The correct answer is: The government cuts taxes. Fiscal policy concerns government taxation and spending.

Question 8a of 10 (3 Business cycle 221492)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following best describes the economic effect that results from the government running a budget deficit?

	Choice	Feedback
A.	Consumers save less and spend more, bringing prices down.	
B.	Demand decreases, driving investors into other areas.	
*C.	Demand increases, pushing producers to increase supply.	Correct! When the government spends more than it takes in, the government not only leaves more money in consumers' pockets for them to spend, it gets in the spending game too, both of which increase demand.
D.	Consumers save more and spend less, enabling long-term financial planning.	

Global Incorrect Feedback
The correct answer is: Demand increases, pushing producers to increase supply. When the government spends more than it takes in, the government not only leaves more money in consumers' pockets for them to spend, it gets in the spending game too, both of which increase demand.

Question 8b of 10 (3 Business cycle 221493)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following best describes the economic effect that results from the government having a budget surplus?

	Choice	Feedback
A.	Government spending increases, increasing competition for goods and services and driving prices up.	
*B.	Overall demand decreases, reducing the incentive for producers to increase production.	Correct! When the government spends less than it takes in, there is less overall demand.
C.	Consumers save more and spend less, enabling long-term financial planning.	
D.	Banks have more deposits, enabling them to make more loans to investors.	

Global Incorrect Feedback
The correct answer is: Overall demand decreases, reducing the incentive for producers to increase production. When the government spends less than it takes in, there is less overall demand.

Question 8c of 10 (3 Business cycle 221494)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following best describes the economic effect that results when the government increases interest rates and restricts the lending of money?

	Choice	Feedback
*A.	Borrowing money becomes more expensive and there is less investment in production.	Correct! When loans become more expensive and harder to get, there's less capital to invest in raising production levels.
B.	The economy grows as investments result in larger profits.	
C.	Government spending drives up prices because of greater competition for goods and services.	
D.	Consumers save more money and spend less buying goods and services.	

Global Incorrect Feedback
The correct answer is: Borrowing money becomes more expensive and there is less investment in production. When loans become more expensive and harder to get, there's less capital to invest in raising production levels.

Question 9a of 10 (2 Advantages of large companies 221495)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following best explains why a large company can undersell small retailers?

	Choice	Feedback
A.	Large companies can offer workers lower wages because they provide more jobs.	
B.	Large companies have fewer expenses associated with overhead.	
C.	Large companies can pay their employees less because they do unskilled jobs.	
*D.	Large companies can negotiate better prices with wholesalers.	Correct! Large companies buy more goods, giving them the ability to pay lower prices and still give wholesalers a healthy profit.

Global Incorrect Feedback
The correct answer is: Large companies can negotiate better prices with wholesalers. Large companies buy more goods, giving them the ability to pay lower prices and still give wholesalers a healthy profit.

Question 9b of 10 (2 Advantages of large companies 221496)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following best explains one of the benefits provided by economies of scale?

	Choice	Feedback
*A.	A larger customer base enables retailers to pay lower prices for wholesale goods.	Correct! A larger customer base lets companies buy in bulk at the best possible prices.
B.	Large online businesses can use their Web site to advertise effectively.	
C.	A wide assortment of goods gives consumers better choices and lower prices.	
D.	Large companies can offer workers lower wages because they provide more jobs.	

Global Incorrect Feedback
The correct answer is: A larger customer base enables retailers to pay lower prices for wholesale goods. A larger customer base lets companies buy in bulk at the best possible prices.

Question 9c of 10 (2 Advantages of large companies 221497)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following best explains why large companies pay less for goods from wholesalers?

	Choice	Feedback
A.	Large companies are able to increase the efficiency of wholesale production.	
B.	Large companies are able to pay for the goods they purchase in cash.	
C.	Large companies have better-paid employees who are better negotiators.	
*D.	Large companies can buy all or most of a wholesaler's stock.	Correct! The smaller number of transactions and negotiations that are required for doing business with a large company reduces the costs to wholesalers, enabling them to offer a lower price.

Global Incorrect Feedback
The correct answer is: Large companies can buy all or most of a wholesaler's stock. The smaller number of transactions and negotiations that are required for doing business with a large company reduces the costs to wholesalers, enabling them to offer a lower price.

Question 10a of 10 (3 Advantages of large companies 221499)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following best explains why Amazon can sell books more cheaply than local bookstores?

	Choice	Feedback
*A.	Amazon is able to buy all or most of the books printed by a publisher.	Correct! By reducing the transaction costs involved with selling to a bunch of small local bookstores, Amazon helps publishers cut costs, enabling the publishers to give Amazon the best price possible.
B.	Amazon advertises very cheaply through its own Web site.	
C.	Amazon makes money selling other goods besides books.	
D.	Amazon offers books that nobody else carries.	

Global Incorrect Feedback
The correct answer is: Amazon is able to buy all or most of the books printed by a publisher. By reducing the transaction costs involved with selling to a bunch of small local bookstores, Amazon helps publishers cut costs, enabling the publishers to give Amazon the best price possible.

Question 10b of 10 (3 Advantages of large companies 221500)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following best explains why companies like Amazon and Wal-Mart can sell things more cheaply than others who sell the same products?

	Choice	Feedback
A.	They have partnerships with many other businesses.	
*B.	They can buy wholesale goods cheaply because they have so many customers.	Correct! Buying in bulk allows big companies to negotiate better deals with the producers who sell them the goods in the first place.
C.	They pay lower wages because they employ so many people.	
D.	They only sell a few products so they can be as efficient as possible.	

Global Incorrect Feedback
The correct answer is: They can buy wholesale goods cheaply because they have so many customers. Buying in bulk allows big companies to negotiate better deals with the producers who sell them the goods in the first place.

Question 10c of 10 (3 Advantages of large companies 221501)

Maximum Attempts: 1
Question Type: Multiple Choice
Maximum Score: 2
Question: Which of the following best explains why online retail companies have an advantage over regular stores?

	Choice	Feedback
A.	Their employees make less money because they mostly perform unskilled tasks.	
B.	Their transactions require expensive state-of-the-art technological devices.	
*C.	They have a larger number of potential customers because people anywhere can buy from them.	Correct! Large online retailers can reach a lot of customers, allowing them to buy in bulk and negotiate better deals with wholesalers.
D.	They are able to keep distribution costs low by negotiating deals with shipping companies.	

Global Incorrect Feedback
The correct answer is: They have a larger number of potential customers because people anywhere can buy from them. Large online retailers can reach a lot of customers, allowing them to buy in bulk and negotiate better deals with wholesalers.