

Chapter 2 Test, Form A

Economic Systems and Decision Making

DIRECTIONS: Matching Match each item with the correct statement below.

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|---|-------------------------------|
| _____ 1. system in which government owns and controls some factors of production | A. capital-intensive |
| _____ 2. mechanism through which buyers and sellers of an economic product or service come together | B. collectivization |
| _____ 3. system that has some combination of traditional, command, and market economies | C. communism |
| _____ 4. worst period of economic decline in U.S. history, lasting from approximately 1929 to 1939 | D. European Union (EU) |
| _____ 5. economic and political system in which factors of production are owned and directed by the state | E. Great Depression |
| _____ 6. certificate used to purchase government-owned property during privatization | F. market |
| _____ 7. forced common ownership of factors of production | G. mixed economy |
| _____ 8. requiring large amounts of investment in equipment in relation to labor | H. population density |
| _____ 9. number of people per square mile of land area | I. socialism |
| _____ 10. successor of the European Coal and Steel Community, established in 1993 | J. voucher |

DIRECTIONS: Multiple Choice Indicate the answer choice that best completes the statement or answers the question.

- _____ 11. Which of these statements describes a disadvantage of a traditional economy?
- Everyone knows his or her role.
 - New ways of doing things are encouraged.
 - New ways of doing things are discouraged.
 - Difficult economic decisions are made by the state.
- _____ 12. Which of these economic systems have the **least** in common?
- market economy and capitalism
 - command economy and socialism
 - command economy and capitalism
 - free-enterprise economy and market economy

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- _____13. Which of these statements is descriptive of a market economy?
- A. Most media is state-owned and operated.
 - B. The government determines what is produced and by whom.
 - C. Major economic decisions are made for individuals, not by them.
 - D. Major economic decisions are made by individuals, not for them.
- _____14. In which of these systems is the government **most** likely to provide people with goods and services they could not otherwise afford?
- A. market economy
 - B. socialist economy
 - C. traditional economy
 - D. free-enterprise economy
- _____15. Which of these helps explain why mixed economies develop?
- A. Nations evolve, shed policies that don't work, and adopt ones that do.
 - B. People are seldom exposed to the ideas and technologies of other cultures.
 - C. Government control of an economy tends to make a nation more prosperous.
 - D. Government control of an economy leads to a diversity of economic approaches.
- _____16. Which of these countries has an economy **most** similar to that of the former Soviet Union?
- A. Sweden
 - B. Norway
 - C. South Korea
 - D. North Korea
- _____17. Which of the following is a feature of a command economy that distinguishes it from a socialist economy?
- A. All production is managed by the government.
 - B. All economic decisions are made by the free market.
 - C. All economic decisions are based on custom and habit.
 - D. Some degree of private ownership and activity is allowed.
- _____18. In a transitioning economy, why would privatization tend to raise a nation's overall standard of living?
- A. People are less likely to assume the risks of entrepreneurship.
 - B. It places the means of production in the hands of the government.
 - C. People are more likely to be productive when it benefits them personally.
 - D. It places a nation's ruling class in a position to administer the economy efficiently.
- _____19. Which of the following is a cause of struggle in the process of privatization?
- A. People must adjust to government control of their economy.
 - B. People must decide how best to get along without a free market.
 - C. People must adjust to the costs and risks that are part of capitalism.
 - D. People must become used to no longer owning their own homes and businesses.

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_____ **20.** Which of these is the most striking example of the costs and risks of pure capitalism?

- A. the Gosplan
- B. the Five-Year-Plan
- C. the Great Depression
- D. the Great Leap Forward

DIRECTIONS: Essay Write a short essay for each of the following questions.

- 21.** Describe two countries or societies with two different types of economies and compare how the type of economy affects the answers to the questions of what, how, and for whom to produce in each country.

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22. Name the most likely author of the excerpt below, explain what is being stated, and describe its relation to the author's overall philosophy.

"The history of all hitherto existing society is the history of class struggles. Freeman and slave, patrician and plebeian, lord and serf, guildmaster and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight, that each time ended, either in the revolutionary reconstitution of society at large, or in the common ruin of the contending classes."

23. Give an example of a country that transitioned to capitalism and briefly describe how and why the process was a struggle.