

Chapter 3 Test, Form A

The American Free Enterprise System

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

- | | |
|--|--|
| _____ 1. struggle among sellers to attract consumers | A. mixed economy |
| _____ 2. economic action done or brought about by free choice | B. minimum wage |
| _____ 3. driving force that encourages people to improve their material well-being | C. inflation |
| _____ 4. market economy in which people freely carry on economic affairs but are subject to some government regulation | D. Social Security |
| _____ 5. someone who organizes and manages land, capital, and labor to make a profit | E. consumer sovereignty |
| _____ 6. economic system with a combination of command, traditional, and market economies | F. competition |
| _____ 7. the role of the consumer as ruler of the market | G. entrepreneur |
| _____ 8. lowest legal wage that can be paid to most workers | H. voluntary exchange |
| _____ 9. federal program retirement benefit that covers most working people | I. profit motive |
| _____ 10. rise in the general level of prices | J. modified free enterprise economy |

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

- _____ 11. One of the characteristics of a capitalist free enterprise economy is _____.
- | | |
|----------------------------|------------------------------|
| A. the minimum wage | C. voluntary exchange |
| B. consumerism | D. central planning |
- _____ 12. The economic system of the United States is considered a _____.
- | | |
|--|-------------------------------|
| A. free market capitalist economy | C. socialist economy |
| B. command economy | D. traditional economy |

Chapter 3 Test, Form A *cont.*

The American Free Enterprise System

- _____ 13. _____ protect consumers against harm from products on the market.
- A. Franchises
 - B. Profit motives
 - C. Private property rights
 - D. Government regulations
- _____ 14. Which of the following is largely responsible for the growth of a free enterprise system?
- A. government
 - B. profit motive
 - C. Gross Domestic Product
 - D. market efficiency
- _____ 15. In a free enterprise economy, who ultimately decides what gets produced?
- A. companies
 - B. the government
 - C. business owners
 - D. consumers
- _____ 16. Which of the following services does the federal government provide?
- A. sanitation
 - B. national defense
 - C. libraries
 - D. education
- _____ 17. The people who organize and manage land, labor, and capital are _____.
- A. entrepreneurs
 - B. franchises
 - C. socialists
 - D. bureaucrats
- _____ 18. A general rise in the level of prices over time is known as _____.
- A. a catalyst
 - B. voluntary exchange
 - C. profit
 - D. inflation
- _____ 19. What have some states done to protect workers from adverse economic events such as layoffs and illnesses?
- A. They set up support groups.
 - B. They set up unemployment compensation programs.
 - C. They provided every worker with insurance.
 - D. They gave workers more time off.
- _____ 20. Economic equity means that it is illegal to discriminate on the basis of age, sex, race, religion, or _____.
- A. income
 - B. status
 - C. disability
 - D. political views

Chapter 3 Test, Form A *cont.*

The American Free Enterprise System

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

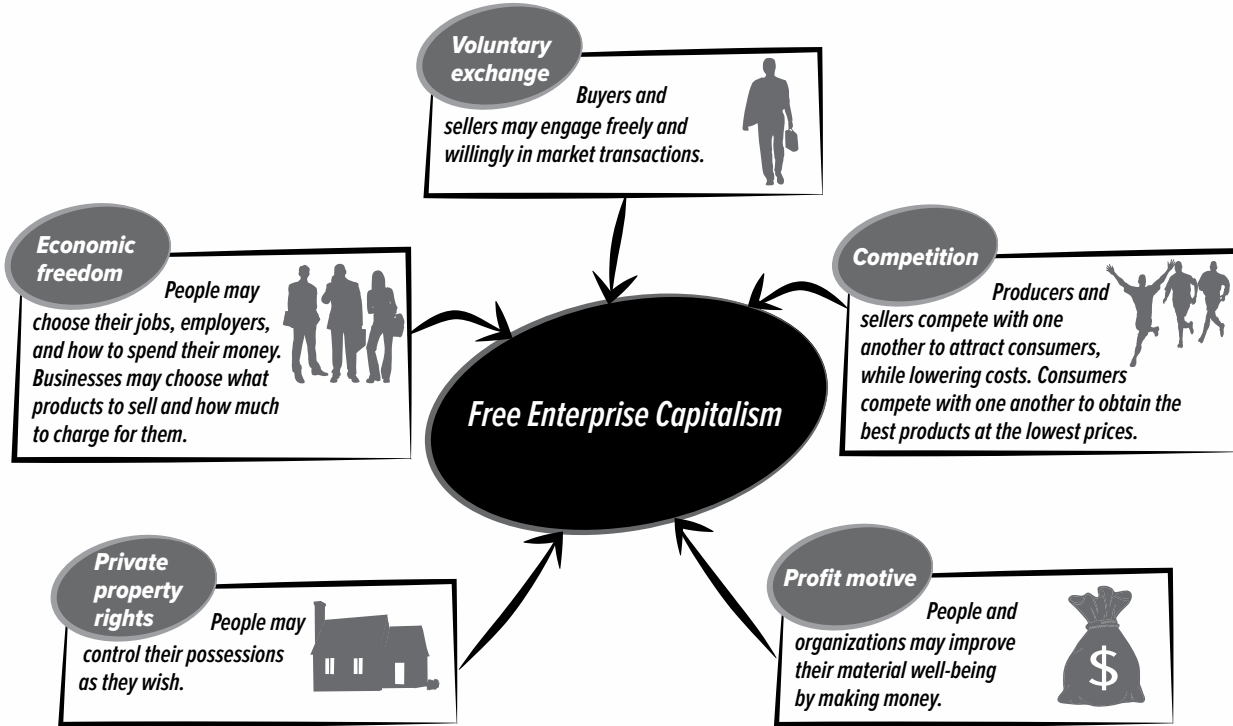
21. Describe a few of the hurdles an entrepreneur must overcome to be successful in a free enterprise economy. How can some of these hurdles be overcome?

22. Compare the individual roles of the government, entrepreneurs, and consumers in a modified free enterprise economy. Describe the benefits of this relationship to each party involved.

Chapter 3 Test, Form A *cont.*

The American Free Enterprise System

23. Take a moment to study the diagram below detailing five characteristics of the American free enterprise system.



Imagine a scenario in which you are a budding entrepreneur wanting to start your own business. How would each of the characteristics described in the diagram apply to your business?

24. Explain the reasons the government becomes involved in the economy, discussing its role as a protector, provider, regulator, and consumer. Do you think the government should play a bigger role or a smaller role than it currently does? Explain the reasons you feel the way you do.