## Chapter 7 Test, Form A

### Market Structures

DIRECTIONS: Matching Match each item with its description.

- **1.** classification according to number and size of firm, type of product, and type of competition
- 2. market structure in which only a few large sellers dominate and have the ability to affect prices in an industry
- **3.** market structure characterized by a single producer in a market
  - **4.** philosophy that government should not interfere with business activity
  - 5. condition that lacks any of the requirements for a competitive market—adequate competition, knowledge of prices and opportunities, mobility of resources, and competitive profits
  - **6.** economic products that are paid for and consumed collectively, such as highways, national defense, police and fire protection
    - **7.** economic side effects that affect an uninvolved third party
  - **8.** illegal combinations of corporations or companies organized to suppress competition
  - **9.** increasingly efficient use of personnel, plant, and equipment as a firm becomes larger
  - **\_\_\_\_10.** process in which a lender reclaims the property due to a lack of payment by the borrower

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

- \_\_\_\_\_11. Under perfect competition, what sets the equilibrium price in the market?
  - **A.** nonprice competition
  - **B.** supply and demand
  - **C.** the government
  - **D.** a monopoly

- A. economies of scale
- B. externalities
- $\textbf{C.} \ \text{foreclosure}$
- D. laissez-faire
- E. market failure
- F. market structure
- G. monopoly
- H. oligopoly
- I. public good
- J. trust

### Chapter 7 Test, Form A cont.

#### **Market Structures**

**\_12.** In the economic term *oligopoly,* the word part *Olig*- probably means \_\_\_\_\_\_ C. "all" A. "few" D. "one" B. "single" \_13. Pure competition and monopoly \_\_\_\_\_. **A.** are the same C. should not be compared **B.** are almost the same **D.** are opposites \_14. Which of the following factors contribute to market failure? **A.** adequate competition C. mobility of resources B. knowledge of prices and opportunities D. inadequate competition \_15. Which is an example of a public good? A. a rock band C. the army D. bread B. a car **\_\_16.** When a factory pollutes a river, the resulting water pollution is an example of a \_\_\_\_\_\_. **A.** technological monopoly **C.** negative externality **B.** public good D. neutral spillover effect **\_17.** How would an economist characterize a local government increasing property taxes to improve the school system? A. laissez-faire in action C. a cease and desist order **B.** an example of collusion D. subsidizing a positive externality **.18.** The Sherman Act, the Clayton Act, and the Federal Trade Commission Act were all designed to \_\_\_\_ C. create public goods A. ensure competition **D.** extend mortgages **B.** promote trusts **\_19.** A woman borrows money from a bank to purchase a house. She promises to give the bank the house if she cannot repay the loan. This woman has signed a \_\_\_\_ C. trust A. foreclosure D. cease and desist order **B.** mortgage .20. We say the United States has a "modified" free enterprise economy because almost everything we do and everything we buy is in some way affected by \_\_\_\_ A. business C. government B. money D. inventors

## Chapter 7 Test, Form A cont.

### **Market Structures**

DIRECTIONS: Essay Write a short essay in response to each item.

| Figure 7.3      |              |              |              |
|-----------------|--------------|--------------|--------------|
|                 | Project<br>A | Project<br>B | Project<br>C |
| Benefits:       | \$150        | \$140        | \$78         |
| Costs:          | \$100        | \$70         | \$60         |
| Benefits/Costs: | \$1.5        | \$2.0        | \$1.3        |

21. Explain the figures in the bottom row of the table by answering the following questions: What do they represent? How were they calculated? What can you conclude from them?

# Chapter 7 Test, Form A cont.

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22. How might a local government use a table similar to the one on page 107 to decide which project to subsidize in order to maximize positive spillovers?

23. Describe a modified free enterprise system and provide three examples of how such a system is present in your life or community.