M Economics The Basics 4th edition Mandel Test Bank

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M Economics The Basics 4th Edition by Mandel CH01

ANSWERS ARE LOCATED IN THE SECOND PART OF THIS DOCUMENT

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) Technological change is a key force in shaping today's economy.

1) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Identify three of the main forces shaping todays economy.
Topic : Key Forces Shaping Todays Economy
Accessibility : Keyboard Navigation

2) Globalization is the increasing exchange of goods, services, ideas, and people within a country.

2) _____

◎ true
◎ false

Question Details
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Difficulty : 1 Easy
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3) Technological change is the only reason for globalization.

3) _____

◎ true
◎ false

M Economics The Basics 4th edition Mandel Test Bank

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Bloom's : Remember
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4) A laissez-faire economy has minimal government regulations or laws affecting the economy.

4) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
Topic : The Role of Government

5) History suggests that economic competition is the most consistent force for economic growth and progress.

5) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
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6) Deregulation includes reducing governmental control over some aspects of private industry, while increasing control of others.

6) _____

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◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
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7) The gross domestic product is the dollar value of all goods and services produced by the economy.

7) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
Topic : The Definition of Economics

8) Most economists agree on the amount of government intervention necessary in an economy.

8) _____

◎ true
◎ false

Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Name some key disagreements in economics.
Topic : Disagreements in Economics

9) A centrally planned economy encourages investment and innovation.

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9) _____

- ◎ true
- ◎ false

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
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10) Economics is the study of how individuals, businesses, and governments make decisions and trade-offs in the face of scarce resources.

10) _____

- ◎ true
- ◎ false

Question Details
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Accessibility : Keyboard Navigation
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
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MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

11) Technological change has always been the most critical factor in raising living standards, even going as far back as the development of the

11) _____

A) steam engine.
B) iPod.
C) microprocessor.
D) fluorescent light.

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12) Globalization is the exchange of _____ among countries.

12) _____

A) workers and jobs
B) communications
C) goods, services, ideas, and people
D) money and other financial assets

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Difficulty : 1 Easy
Learning Objective : 01-02 Identify three of the main forces shaping todays economy.
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Accessibility : Keyboard Navigation

13) Which of the following is *not* part of an economy's financial markets?

13) _____

A) The residential mortgage market
B) The stock market
C) Banks and brokerage firms
D) Political action committees

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14) In a centrally planned economy, decisions are made by

14) _____

A) private businesses.
B) large corporations.
C) low-level government employees.
D) top-level government officials.

Question Details
AACSB : Reflective Thinking
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Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
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15) In recent years, China and India have prospered economically by introducing

15) _____

A) more central planning.
B) greater government intervention.
C) a stronger central bank.
D) more competition through markets.

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Learning Objective : 01-03 Explain the debate over the role of government in the economy.
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16) Governments generally take responsibility for

16) _____

A) deciding what is produced by most businesses.
B) determining the moral code.
C) making sure the economy remains healthy.
D) the purchasing decisions of households.

Question Details
AACSB : Reflective Thinking
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Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
Topic : The Role of Government

17) Over the past 30 years, most countries have moved in the direction of less intervention by government, a process known as

17) _____

A) central planning.
B) economic competition.
C) deregulation.
D) marginalization.

M Economics The Basics 4th edition Mandel Test Bank

Question Details
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Bloom's : Remember
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
Topic : The Role of Government

18) Historically, the most consistent force for economic growth and progress has been
18) _____

A) government regulation.
B) the gross domestic product.
C) technology integration.
D) economic competition.

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Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
Topic : The Role of Government

19) The gross domestic product is calculated by adding up the
19) _____

A) value of all goods and services produced by domestic companies abroad.
B) number of all tangible goods produced in a domestic economy.
C) value of all goods and services produced within the nation.
D) value of services produced domestically and goods produced overseas.

M Economics The Basics 4th edition Mandel Test Bank

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Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
Topic : The Definition of Economics

20) Poorer countries started to develop economically when they

20) _____

A) pretended the rest of the world didn't exist.
B) began to produce what the rest of the world wanted.
C) raised tariffs on imported goods, such as steel and aluminum.
D) protected domestic manufacturing jobs.

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21) A laissez-faire economy has

21) _____

A) a large amount of government regulation.
B) a centrally planned economy.
C) rules that promote social equality.
D) very little government regulation of the economy.

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22) Top-down management of an economy by the government generally

22) _____

A) produces exceptional results in economic growth.
B) creates incentives and opportunities for businesses to expand.
C) causes significant increases in GDP.
D) leads to low rates of economic growth.

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Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
Topic : The Role of Government

23) Which of the following is *not* a monetary measure of economic prosperity?

23) _____

A) Annual household income
B) Household consumption
C) Life expectancy
D) Gross domestic product

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Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
Topic : The Definition of Economics

24) Besides the gross domestic product, another measure of how well an economy is doing is
24) _____

A) annual household income.
B) government tax rates.
C) presidential popularity polls.
D) publications in economic journals.

Question Details
AACSB : Reflective Thinking
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Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
Topic : The Definition of Economics

25) Which of the following countries is *not* among the 10 largest economies in the world?
25) _____

A) Israel
B) China
C) Brazil
D) India

M Economics The Basics 4th edition Mandel Test Bank

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AACSB : Reflective Thinking
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Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
Topic : The Definition of Economics

26) Which of the following is part of the U.S. economy's safety net?

26) _____

A) Social Security
B) Blue Cross and Blue Shield
C) Church-affiliated soup kitchens
D) Private health insurance

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AACSB : Reflective Thinking
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Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
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27) Which of the following is an example of a technological change that is transforming an industry?

27) _____

A) Filet mignon
B) Ralph Lauren clothing
C) Electric scooters
D) Starbucks coffee

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Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Identify three of the main forces shaping todays economy.
Topic : Key Forces Shaping Todays Economy
Accessibility : Keyboard Navigation

28) Financial markets do *not* include which of the following?

28) _____

A) Banks
B) Stock markets
C) Government regulatory agencies
D) Nonprofit organizations

Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Identify three of the main forces shaping todays economy.
Topic : Key Forces Shaping Todays Economy
Accessibility : Keyboard Navigation

29) Federal taxes have which of the following effects on the economy?

29) _____

A) If taxes are increased, the economy expands due to a balanced budget.
B) If taxes are decreased, businesses will invest the difference back into the economy.
C) There is no definitive agreement on the effect.
D) Lower federal taxes will cause budget surpluses.

M Economics The Basics 4th edition Mandel Test Bank

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Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Name some key disagreements in economics.
Topic : Disagreements in Economics

30) Over the past 30 years, most countries have moved toward

30) _____

A) more government regulation of the economy.
B) less government regulation of the economy.
C) planned central economies.
D) closing the economy to imports.

Question Details
AACSB : Reflective Thinking
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Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
Topic : The Role of Government

31) Deregulation in the United States began with what industries in the 1970s?

31) _____

A) The oil industry and the postal service
B) The automobile and food service industries
C) The agricultural and telecommunications industries
D) The airline and trucking industries

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Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
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32) For the United States, one important benefit of foreign trade is

32) _____

A) less domestic competition.
B) higher tax revenues from tariffs.
C) reality checks in the economy.
D) access to cheaper goods and services.

Question Details
AACSB : Reflective Thinking
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Difficulty : 1 Easy
Learning Objective : 01-02 Identify three of the main forces shaping todays economy.
Topic : Key Forces Shaping Todays Economy
Accessibility : Keyboard Navigation

33) An example of a company that uses financial markets to raise money is

33) _____

A) a local television news website.
B) your local carryout restaurant.
C) Ford Motor Company.
D) the Social Security Administration.

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Accessibility : Keyboard Navigation

34) The stock market hit bottom in early 2009, and over the next 10 years, average stock market prices

34) _____

A) continued to fall.
B) tripled in value.
C) remained roughly stable.
D) became increasingly volatile.

Question Details
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Difficulty : 1 Easy
Learning Objective : 01-02 Identify three of the main forces shaping todays economy.
Topic : Key Forces Shaping Todays Economy
Accessibility : Keyboard Navigation

35) Economic competition sometimes has which of the following negative effects on a domestic economy?

35) _____

A) It drives up interest rates.
B) It protects domestic jobs.
C) It increases the profits of foreign suppliers.
D) It drives down wages and profits.

M Economics The Basics 4th edition Mandel Test Bank

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Accessibility : Keyboard Navigation

36) Closed economies generally do _____ open economies, in the _____ run.
36) _____

A) better than; long
B) worse than; long
C) worse than; short and long
D) better than; short and long

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Difficulty : 1 Easy
Learning Objective : 01-02 Identify three of the main forces shaping todays economy.
Topic : Key Forces Shaping Todays Economy
Accessibility : Keyboard Navigation

37) Globalization can act as a reality check, forcing everyone to
37) _____

A) try harder and look for better ways of doing things.
B) ask for greater import protections.
C) pull up the drawbridge and pretend the rest of the world doesn't exist.
D) invest in larger factories.

M Economics The Basics 4th edition Mandel Test Bank

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Accessibility : Keyboard Navigation

38) In what way does the government impact the U.S. housing market?

38) _____

A) By setting zoning rules and construction codes
B) By setting housing prices
C) By lending money directly to home buyers
D) By building most new residential structures

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
Topic : The Role of Government

39) In the past decade, the income and wealth gap in the United States has

39) _____

A) virtually disappeared.
B) increased.
C) decreased.
D) returned.

M Economics The Basics 4th edition Mandel Test Bank

Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
Topic : The Definition of Economics

40) The top _____ percent of U.S. households earn more than half of the country's income.

40) _____

A) 10
B) 20
C) 30
D) 40

Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
Topic : The Definition of Economics

41) Chinese leader Deng Xiaoping began what process in the 1980s?

41) _____

A) The Chinese cultural revolution
B) Moving the economy toward central planning
C) Shifting away from a centrally planned economy
D) The Chinese political revolution

M Economics The Basics 4th edition Mandel Test Bank

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Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
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42) In 2018, the gross domestic product of the United States was

42) _____

A) $20.5 million.
B) $20.5 billion.
C) $20.5 trillion.
D) $59,800.

Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
Topic : The Definition of Economics

43) Which of the following countries have safety nets that offer better retirement benefits and more job security than the U.S. safety net?

43) _____

A) European countries, such as France and Germany
B) Asian countries, such as China and India
C) Our nearest neighbors, Canada and Mexico
D) South American countries, such as Venezuela and Brazil

M Economics The Basics 4th edition Mandel Test Bank

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Bloom's : Remember
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
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44) Technological change is generally

44) _____

A) uneven.
B) slow.
C) fair.
D) undisruptive.

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Difficulty : 1 Easy
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45) Nuclear power in the United States turned out to be

45) _____

A) a boon to the economy.
B) well worth the time and investment.
C) far more expensive and troublesome than expected.
D) a hazard-free source of limitless power.

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Accessibility : Keyboard Navigation

46) Supply and demand are examples of

46) _____

A) the tools of economics.
B) outdated economic theories.
C) technological advances.
D) a primary source of disagreement among economists.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Understand the importance of markets in todays economy.
Topic : The Big Picture

47) Renewable energy sources provided _____ of U.S. energy needs as of 2018.

47) _____

A) 11 percent
B) 14 percent
C) 77 percent
D) almost 100 percent

M Economics The Basics 4th edition Mandel Test Bank

Question Details
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Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Identify three of the main forces shaping todays economy.
Topic : Key Forces Shaping Todays Economy
Accessibility : Keyboard Navigation

48) Which of the following best explains why countries are becoming more and more interconnected?

48) _____

A) Technological change
B) Increasing tariffs
C) Decreasing global incomes
D) Evolving financial markets

Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Identify three of the main forces shaping todays economy.
Topic : Key Forces Shaping Todays Economy
Accessibility : Keyboard Navigation

49) Most people have mixed feelings about the financial markets because

49) _____

A) they can experience violent swings.
B) they are controlled by government regulators.
C) the stock market almost always falls in the long run.
D) they provide a means for the average person to become wealthy.

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Question Details
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Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Identify three of the main forces shaping todays economy.
Topic : Key Forces Shaping Todays Economy
Accessibility : Keyboard Navigation

50) Which is *not* an example of government intervention in the economy?

50) _____

A) The Food and Drug Administration
B) The Troubled Asset Relief Program
C) The Social Security Administration
D) The Great Recession

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
Topic : The Role of Government

51) Which of the following is *not* mentioned in the textbook as one of its three goals?

51) _____

A) Presenting the basic tools of economics
B) Promoting an understanding of markets
C) Showing the ways in which the possibilities of today's economy are expanding
D) Teaching how to successfully invest money in the stock market

M Economics The Basics 4th edition Mandel Test Bank

Question Details
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Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Understand the importance of markets in todays economy.
Topic : The Big Picture

52) Which of the following is *not* mentioned in the textbook as a constraint that affects the economy?

52) _____

A) Households must make purchasing choices based on income.
B) Businesses must make production choices based on technology.
C) Households must make purchasing choices based on government regulations.
D) Businesses must make production choices based on past investments in factories.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Understand the importance of markets in todays economy.
Topic : The Big Picture

53) The textbook says that which of the following is among the key forces shaping today's economy?

53) _____

A) Technological change
B) Government regulations
C) Changing consumer confidence
D) Labor unions

M Economics The Basics 4th edition Mandel Test Bank

Question Details
AACSB : Reflective Thinking
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Difficulty : 1 Easy
Learning Objective : 01-02 Identify three of the main forces shaping todays economy.
Topic : Key Forces Shaping Todays Economy
Accessibility : Keyboard Navigation

54) The textbook says that which of the following is among the key forces shaping today's economy?

54) _____

A) Political scandals
B) Government regulations
C) Globalization
D) Increasing income inequality

Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Identify three of the main forces shaping todays economy.
Topic : Key Forces Shaping Todays Economy
Accessibility : Keyboard Navigation

55) The textbook says that which of the following is among the key forces shaping today's economy?

55) _____

A) Socialism
B) Social networking
C) Accounting scandals
D) The evolution of financial markets

M Economics The Basics 4th edition Mandel Test Bank

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56) Can economic competition be viewed as a positive force for growth and progress?
56) _____

A) No, because economic competition historically had neither a positive nor a negative effect.
B) No, because there is more poverty today than in the past.
C) Yes, because economic competition of any type always leads to growth and progress.
D) Yes, as long as it is conducted within a fair set of rules.

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Accessibility : Keyboard Navigation
Bloom's : Understand
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Learning Objective : 01-03 Explain the debate over the role of government in the economy.
Topic : The Role of Government

57) Suppose the government decides to eliminate some, but not all, of the rules that govern how investment banks conduct their business. This would be an example of
57) _____

A) a laissez-faire policy.
B) deregulation.
C) central planning.
D) economic competition.

M Economics The Basics 4th edition Mandel Test Bank

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Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
Topic : The Role of Government

58) By total economic output (gross domestic product), the United States ranks as the _____ largest economy in the world.

58) _____

A) first
B) second
C) third
D) tenth

Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
Topic : The Definition of Economics

59) Gross domestic product is

59) _____

A) not a useful indicator of prosperity.
B) the only indicator of prosperity that economists use.
C) one of many indicators of prosperity, some of which are monetary and some of which are not.
D) one of many indicators of prosperity, all of which are monetary in nature.

M Economics The Basics 4th edition Mandel Test Bank

Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
Topic : The Definition of Economics

60) Which of the following is presented in the text as an issue about which reputable economists might disagree?

60) _____

A) Whether unemployment rose significantly during the Great Recession
B) Whether the government should provide more scholarship funds
C) The impact on the federal budget of an increase in military spending
D) The definition of a market transaction

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Bloom's : Remember
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-05 Name some key disagreements in economics.
Topic : Disagreements in Economics

61) Which of the following does *not* explain why there are so many disagreements among economists?

61) _____

A) In some cases, there aren't enough data to answer the question.
B) In some cases, the controversy is aggravated by political agendas.
C) In some cases, individuals may stand to gain from policy changes.
D) In some cases, economists have simply not investigated the issue at hand.

M Economics The Basics 4th edition Mandel Test Bank

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AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
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Learning Objective : 01-05 Name some key disagreements in economics.
Topic : Disagreements in Economics

62) As one is beginning to learn economics, one should expect to learn

62) _____

A) a new way of thinking about the world.
B) everything one needs to become an economist.
C) the gross domestic product of every country in the world.
D) very little that will be useful in the real world.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Understand the importance of markets in todays economy.
Topic : The Big Picture

63) In a market, buyers and sellers

63) _____

A) are in the same place.
B) exchange goods and services for money.
C) compete with one another.
D) undermine the proper functioning of the economy.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Understand the importance of markets in todays economy.
Topic : The Big Picture

64) Suppose a tenant sues his landlord in court. Does this count as a market transaction?

64) _____

A) Yes, because the landlord and tenant are in the same place negotiating.
B) Yes, because there is a buyer (tenant) and a seller (landlord).
C) No, because there is a third party (the judge) enforcing rules.
D) No, because there are no voluntary exchanges taking place.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Understand the importance of markets in todays economy.
Topic : The Big Picture

65) Suppose Kyra purchases and downloads an eBook from Amazon.com. Does this count as a market transaction?

65) _____

A) Yes, because there is a voluntary exchange of money for a good or service.
B) Yes, because Amazon.com is a well-known marketplace.
C) No, because Kyra and Amazon.com are not physically in the same place.
D) No, because eBooks are not tangible products.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Understand the importance of markets in todays economy.
Topic : The Big Picture

66) Which of the following gives the best reason why the possibilitiesand choices of today's economy are expanding?

66) _____

A) Because laws continue to change, making more activities legal
B) Because worldwide population continues to grow
C) Because the constraints that affect the economy change every day
D) Because people are more enlightened today than in the past

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Understand the importance of markets in todays economy.
Topic : The Big Picture

67) Due to the existence of financial markets, which of the following does *not* represent a constraint on businesses that limits what they can produce?

67) _____

A) Technology
B) Cash reserves
C) Available factories
D) Current production processes

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Understand the importance of markets in todays economy.
Topic : The Big Picture

68) Who competes with whom in a market?

68) _____

A) Buyers and sellers compete with each other.
B) Buyers and sellers compete with the government.
C) Sellers compete with other sellers; buyers are not part of the competition.
D) Buyers compete with other buyers and sellers compete with other sellers.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
Topic : The Role of Government

69) Who makes decisions and trade-offs in the face of scarce resources?

69) _____

A) Individuals
B) Businesses
C) Governments
D) All of these choices are correct.

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Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
Topic : The Definition of Economics

70) Why do individuals and businesses have to make decisions?

70) _____

A) Because resources are scarce
B) Because government regulations require it
C) Because they want to avoid trade-offs
D) Because it is the only way to increase income

Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
Topic : The Definition of Economics

71) Which of these is *not* presented in the chapter as an example of something that would have previously been impossible but that has now become commonplace?

71) _____

A) People can buy almost anything online.
B) Businesses make production choices based on available technology.
C) Once-poor countries now challenge the United States in many market.
D) Ordinary people are able to invest in the stock market.

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Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-01 Understand the importance of markets in todays economy.
Topic : The Big Picture

72) Which of the following saw significant declines between late 2007 and early 2009?
72) _____

A) The U.S. economy only
B) Stock prices and housing prices only
C) Housing prices only
D) Stock prices, housing prices, and the U.S. economy

Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Identify three of the main forces shaping todays economy.
Topic : Key Forces Shaping Todays Economy
Accessibility : Keyboard Navigation

73) Why didn't financial markets in the United States and in other countries collapse in 2009?
73) _____

A) Because governments actively intervened in these financial markets
B) Because already in-place regulations passively protected financial markets
C) Because investors saw the opportunity for big profits and continued to invest
D) Because the financial markets were the healthiest part of these economies

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Question Details
AACSB : Reflective Thinking
Learning Objective : 01-02 Identify three of the main forces shaping todays economy.
Topic : Key Forces Shaping Todays Economy
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium

74) The issue of online privacy is a good example of the difficulty associated with deciding the right level of government intervention in an economy because

74) _____

A) the government lacks the technical know-how to appropriately assess the problem.
B) companies spend significant resources lobbying for more regulation.
C) too much regulation and too little regulation can both have a negative economic impact.
D) the U.S. Constitution does not directly refer to online privacy.

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
Topic : The Role of Government

75) Which of the following is *not* a good indicator of prosperity?

75) _____

A) Life expectancy
B) Environmental quality
C) Results from surveys of happiness
D) The size of the safety net

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Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
Topic : The Definition of Economics

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

76) What are the main forces shaping today's economy, and how are they impacting the economy?

Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Learning Objective : 01-02 Identify three of the main forces shaping todays economy.
Topic : Key Forces Shaping Todays Economy
Accessibility : Keyboard Navigation

77) How does top-down management of an economy affect it?

Question Details
AACSB : Reflective Thinking
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-03 Explain the debate over the role of government in the economy.
Topic : The Role of Government

78) Why is the gross domestic product one of the indicators of prosperity?

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Question Details
AACSB : Reflective Thinking
Bloom's : Remember
Difficulty : 1 Easy
Accessibility : Keyboard Navigation
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
Topic : The Definition of Economics

79) What does an economic safety net provide, and why would a country want to have one?

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-04 Define economics and discuss how prosperity is measured.
Topic : The Definition of Economics
AACSB : Ethics

80) Why do economists disagree on so many economic policy questions?

Question Details
Accessibility : Keyboard Navigation
Bloom's : Understand
Difficulty : 2 Medium
Learning Objective : 01-05 Name some key disagreements in economics.
Topic : Disagreements in Economics
AACSB : Ethics

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M Economics The Basics 4th Edition by Mandel CH01

Answer Key

Test name: CH01

1) TRUE
There are three main forces shaping today's economy: technological change, globalization, and the evolution of financial markets.
2) FALSE
Globalization is the increasing exchange of goods, services, ideas, and people among, not within, countries.
3) FALSE
Technological change by itself is not enough to explain the pull of globalization. Most people accept that being open to the global economy brings enormous advantages.
4) TRUE
A laissez-faire economy has few or no government regulations or laws.
5) TRUE
A company has a much stronger incentive to innovate and to produce a better and cheaper product if it knows that its rival is trying to take its customers.
6) FALSE
Deregulation is the process of reducing government control over markets.
7) TRUE
Gross domestic product is the dollar value of the total output of a national economy over a one-year period.
8) FALSE
Many leading economic theories lead to different answers to the question about the amount and type of government intervention that is necessary for the proper functioning of an economy.

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9) FALSE
Centrally planned economies seem to do poorly in the long run. Top-down management reduces insecurity, but at the cost of reducing incentives to innovate and make improvements.
10) TRUE
Economics is the study of how individuals, businesses, and governments make decisions and trade-offs in the face of scarce resources.
11) A
From the development of the steam engine, the automobile, and electricity through the creation of computers and the Internet, technological change has been the most critical factor in raising living standards.
12) C
Globalization is the increasing exchange of goods, services, ideas, and people among countries.
13) D
Financial markets are the parts of the economy connected with borrowing, investing, or transferring money.
14) D
Most economic activities in a centrally planned economy are controlled by the government.
15) D
Developing countries such as China and India have prospered by introducing more elements of a U.S. style economy, including more competition, start-ups of new companies, and much less top-down management by the government.
16) C
The government issues money, insures bank deposits, and regulates the banks and the financial system to maintain a healthy economy.
17) C

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Deregulation is the process of reducing government control over industries.

18) D

History suggests that economic competition is the most consistent force for growth and progress.

19) C

Gross domestic product is the dollar value of the total output of an economy, based on final goods and services produced in a year.

20) B

Incomes in countries such as Korea, China, and India started rising at a rapid rate only when they focused on producing what the rest of the world wanted. The rest of the answer choices are examples of "pulling up the drawbridge," which usually causes countries to fall behind.

21) D

A laissez-faire economy has few government regulations or laws.

22) D

Top-down management reduces insecurity, but at the cost of reducing incentives to innovate and make improvements.

23) C

There are several different monetary ways to measure economic prosperity such as gross domestic product, data on wages and benefits, annual household income, and household consumption.

24) A

There are several different ways to measure economic prosperity such as gross domestic product, data on wages and benefits, annual household income, and household consumption.

25) A

See Figure 1.1 in the text; it shows the GDPs for the 10 largest economies in the world.

26) A

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The U.S. safety net consists of government programs such as Social Security, Medicare, Medicaid, unemployment insurance, food stamps, housing subsidies, and tax credits for low-income wage earners.
27) C
Technological change is an improvement in knowledge that increases the quantity and range of goods and services that the economy can deliver.
28) D
Financial markets encompass all parts of the economy that have to do with borrowing, investing, or transferring money.
29) C
Some economists believe that higher rates of taxation are preferable, while others believe that tax levels should be lower.
30) B
Countries that have prospered economically generally have leaned toward less government intervention in the economy.
31) D
President Jimmy Carter started reducing government control over the airline and trucking industries in the late 1970s.
32) D
For rich countries like the United States, the primary benefit of trade is access to cheaper goods and services.
33) C
Ford Motor Company raises money by issuing stocks in the stock market.
34) B
The governments of the United States and other countries had to intervene very actively to keep financial markets from collapsing in 2008 and 2009.
35) D

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Economic competition has, for example, ravaged manufacturing industries in the United States, eliminating millions of jobs, while still benefiting the average American consumer.
36) B
Economies that are closed—that is, cut off from the rest of the world—quickly fall behind because they forgo the benefits of globalization and trade.
37) A
In an economy walled off from the global economy, it's easy for companies and workers to grow complacent and sluggish. Foreign competition shakes things up.
38) A
Construction codes make buildings safer, but too many regulations will raise the cost of housing.
39) B
The income and wealth gap in the United States has increased over the past decade, with 40 million Americans living below the poverty line in 2017.
40) B
The top 20 percent of U.S households earn more than half of the country's income.
41) C
China still has many people working in state-owned factories, but it also has a vibrant private business sector that has made China the largest exporter in the world.
42) C
See "How it Works: Gross Domestic Product" in Chapter 1.
43) A

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European countries pride themselves on the strength of their social safety nets, which offer comprehensive medical care, better retirement benefits, and more job security than in the United States.
44) A
Technological change is uneven, moving much faster in some industries than others.
45) C
Expense and technical issues have thus far failed to make nuclear power a viable energy source.
46) A
Supply and demand are among the basic tools of economics.
47) A
Renewable energy sources provided only 11 percent of U.S. energy needs in 2018.
48) A
Technological advances, especially those related to communication, have led to more interconnectivity between countries.
49) A
In the short run, financial markets are subject to wide swings that can create large fortunes or wipe out hard-earned investments.
50) D
Though the Great Recession created a need for government intervention, it is not by itself an example of government intervention.
51) D
This textbook strives to accomplish three goals: to present the basic tools of economics, to promote an understanding of markets, and to show the ways in which the possibilities of today's economy are expanding.
52) C

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In some ways, households are limited by government regulations in what they can purchase, but that is not a constraint that is mentioned in the textbook, because it is not a necessary part of a market economy.
53) A
Technological change, globalization, and the evolution of financial markets are among the three main forces shaping today's economy.
54) C
Technological change, globalization, and the evolution of financial markets are among the three main forces shaping today's economy.
55) D
Technological change, globalization, and the evolution of financial markets are among the three main forces shaping today's economy.
56) D
Economic competition, conducted within a fair set of rules, is the most consistent force for growth and progress.
57) B
Deregulation is the process of reducing government control over markets.
58) A
See Figure 1.1.
59) C
Gross domestic product is one of many indicators of prosperity.
60) B
Reputable economists disagree about how big the government's role should be in health, education, and retirement.
61) D
In many cases there is not enough data to support a right answer. In other cases, the controversy is aggravated by political agendas of those who stand to gain from policy changes.
62) A

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At the end of your first economics course, you will have learned a new way of thinking.
63) B
The voluntary exchanges between buyers and sellers that take place in markets are essential to the proper functioning of the economy.
64) D
Market transactions are voluntary exchanges between buyers and sellers. Sometimes there are rules, and the buyers and sellers don't necessarily have to be in the same place.
65) A
Market transactions are voluntary exchanges between buyers and sellers. The goods or services don't have to be tangible, and buyers and sellers don't necessarily have to be in the same place.
66) C
Households, business, and economies all face limiting constraints, but these constraints continue to be pushed further out, expanding economic possibilities.
67) B
Households tend to be constrained by their cash reserves more than businesses, which can generally borrow money in financial markets to fund production or expansion.
68) D
Buyers compete to get the best deals at the lowest prices; sellers compete to sell the most products for the highest prices.
69) D
Everybody faces scarce resources and thus is forced to make decisions and trade-offs.
70) A

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Economics is the study of how we make decisions, given that we can't have everything. Limited resources lead to trade-offs, which in turn lead to decisions.

71) B

The constraints that businesses face are not new to the economy. All businesses have always been constrained by available technology.

72) D

The U.S. government had to intervene very actively to prevent a total collapse of U.S. financial markets.

73) A

Within 10 years, financial markets had recovered and stock prices had roughly tripled on average.

74) C

On the one hand, free and innovative services are nice; on the other hand, you might worry that large tech companies know too much about you.

75) D

There are monetary indicators of prosperity—such as gross domestic product, incomes, and consumption—as well as nonmonetary measures, such as life expectancy, environmental quality, and surveys asking about how happy people are.

76) There are three main forces shaping today's economy. They are technological change, globalization, and the evolution of financial markets. Technological change is expanding the range of goods and services that the economy can produce. Globalization is causing producers to source production wherever it is most efficient. Financial markets have recently experienced severe problems that damaged the rest of the economy. All three forces are converging to shape the economy in sometimes unanticipated ways.

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77) Top-down management reduces insecurity, but also reduces the incentive to innovate and make improvements. Without incentives, workers and companies have less motivation to work harder or become more efficient, reducing overall productivity.
78) The more goods and services an economy can produce, the better off it is doing and the more that its citizens, on average, can consume. If the GDP is rising, it is an indication that overall productivity is increasing, and the corresponding wealth of the economy is growing.
79) A safety net provides a measure of security for the poor, the sick, and the vulnerable. A country would provide a safety net for its less fortunate citizens because it is not generally morally or politically acceptable for most of the population to live good lifestyles while a smaller number are much worse off.
80) In some situations, economists do not have enough data to be certain of the right answer. In other situations, the disagreements are aggravated by the political agendas of parties who stand to gain or lose by changes in the government's economic policy.

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