

Unit 5

Lesson 21

1. List three simple decisions you have made so far today.
2. List three of the most important decisions you have made in your life thus far.
3. List five of the most important decisions you expect to make in the future.
4. Imagine that you have to choose whom you are going to marry today. List three traits you consider to be essential for that person to have. .
5. Name one decision you have made in the past that you would change now if you could.
6. Imagine that you have an important decision to make today. Name three people you would trust to give you wise counsel.
7. Name five decisions your parents have to make that you don't have to make yet.
8. What is the best decision you have made in your life thus far?
9. List the consequences you have experienced so far from that decision.
10. The lesson mentioned two historic events in which the results turned out differently from how the decision-makers intended. Name the events and the consequences. The Treaty of Versailles helped cause World War II.

Lesson 22

1. What are three basic economic questions that people in a society decide?
2. What is involved in a cost-benefit analysis?
3. Give an example of a cost-benefit analysis by an individual (one not given in the lesson).
4. Give an example of a cost-benefit analysis by a business (one not given in the lesson).
5. Give an example of a cost-benefit analysis by government (one not given in the lesson).
6. In economics, what is a margin?
7. What is a marginal cost-benefit decision?
8. What is a marginal benefit?
9. What is marginal cost?
10. What is the marginal propensity to consume?

Lesson 23

1. Define goods.
2. Define services.
3. What are production resources?
4. What are material resources?
5. What do human resources include?
6. How is the word capital used in terms of economics?
7. Define production possibilities curve and draw a production possibilities curve for a society which can make two products: 1,000 pounds of ice cream and 1,000 pounds of cake. The production possibilities curve is the maximum production that an economy can have, given its production resources.
8. Define opportunity cost.
9. When does economy of scale occur?
10. When does economy of scope occur?

Lesson 24

1. What percentage of economic activity in the U.S. consists of personal consumption?
2. What is an economic incentive?
3. Name two common incentives for consumers.
4. Name two disincentives related to cigarettes.
5. What is involved in marginal rate of substitution?
6. What does consumer choice theory examine?
7. Businesses want to know what four factors involved in consumer choice?
8. How many potato chips in an individual serving bag do you think you could eat before the economic law of diminishing marginal utility would come into play for you?
9. Do you agree or disagree with the idea that a dollar of benefits to the poor will increase their utility (satisfaction) more than a dollar more in taxes will decrease the utility of the wealthy?
10. After reading the section about looking at college from an economic standpoint, what are you currently thinking about your own decision regarding college?

Lesson 25

1. How do capitalism and socialism differ in terms of who makes economic decisions?
2. Define economic efficiency.
3. Define economic equity.
4. What does the principle of economic freedom involve?
5. How does the promise of economic security relate to economic freedom?
6. What is the relationship between growth and stability in both a market economy and a command economy?
7. Name one way the U.S. government provides an incentive for people who own a home.
8. What is the basic question a government must answer in relation to the allocation of goods and services?
9. Government policies that place limitations on business activity limit the choices that producers and consumers have in order to do what?
10. According to public choice theory, what is the basic motivation for voters and elected government officials?

Unit 5 Quiz

Choose which predicate at right best completes the sentences begun at left and write its letter in the blank.

- | | |
|---|--|
| ___ 1. Loans that were too large for people to pay back | a. makes a big difference in an action being taken. |
| ___ 2. A cost benefit analysis | b. are the elements that producers use to create goods and services. |
| ___ 3. A margin is a small step that | c. are intangible duties that people perform for pay. |
| ___ 4. A marginal benefit | d. is the maximum production that an economy can have, given its production resources. |
| ___ 5. Goods | e. means materials used to produce goods. |
| ___ 6. Services | f. is the greatest benefit that a producer gives up when he makes a choice. |
| ___ 7. In terms of economics, capital | g. is a benefit that motivates action. |
| ___ 8. Opportunity cost | h. determines the cost and the benefit of taking a particular step before you take it to determine if the benefit outweighs the cost. |
| ___ 9. An economic incentive | i. are tangible items that companies or individuals produce for consumption. |
| ___ 10. A marginal rate of substitution | j. involves how much of one product a consumer is willing to give up in exchange for another product to maintain the same level of satisfaction. |
| ___ 11. Production resources | k. helped cause the economic recession of 2008. |
| ___ 12. The production possibilities curve | l. is the change in total benefit that results from an action. |
| ___ 13. A cigarette warning label | m. emphasizes the role of self-interest in decision-making. |
| ___ 14. Capitalism and socialism | n. is an example of a disincentive. |
| ___ 15. Public choice theory | o. is the goal of having people in a society share goods and services as equally as possible. |
| ___ 16. Economic efficiency | p. limit the choices that producers and consumers have in order to meet other goals that people in government value. |
| ___ 17. Economic equity | q. try to insure stability while sacrificing the possibility of significant growth. |
| ___ 18. The promise of economic security | r. is the goal of encouraging the people in an economy to be as productive as possible in making goods and services available. |
| ___ 19. Government policies that place limitations on business activity | s. differ in terms of who makes economic decisions. |
| ___ 20. Command economies | t. means that you give up a degree of economic freedom. |

First Exam (Over Units 1-5)

Identify these terms (2 points each):

- | | |
|---------------------------------------|--|
| ___ 1. oikonomos | a. the change in total benefit that results from an action |
| ___ 2. externalities | b. a small step that makes a big difference in an action taken |
| ___ 3. mercantilism | c. Greek word from which we get the word economics |
| ___ 4. tariffs | d. a benefit that motivates action |
| ___ 5. bond | e. tangible items produced for consumption |
| ___ 6. investment capitalism | f. The reason behind the overall trend of economic growth in the United States |
| ___ 7. freedom | g. economic effects external to the direct production of goods |
| ___ 8. supply side economics | h. established by Congress in 1913 to serve as a central bank for the United States |
| ___ 9. services | i. intangible duties that people perform for pay |
| ___ 10. cost benefit analysis | j. the main source of income for the United States for many years |
| ___ 11. marginal benefit | k. greatest benefit that a producer gives up when he makes a choice |
| ___ 12. goods | l. the elements producers use to create goods and services |
| ___ 13. margin | m. economic idea proposed by President Reagan in 1980 |
| ___ 14. economic incentive | n. the prevailing economic philosophy when Adam Smith published <i>The Wealth of Nations</i> |
| ___ 15. production resources | o. money individuals loan to an entity (often a government) with the expectation they will receive it back with interest |
| ___ 16. Federal Reserve System | p. a type of business in which people build large enterprises that do not make things themselves, but invest huge sums of money in companies that do |
| ___ 17. opportunity cost | q. how much of one product a consumer is willing to give up in exchange for another product to maintain the same level of satisfaction |
| ___ 18. marginal rate of substitution | r. determines the cost and benefit of taking a particular step before you take it to determine if the benefit outweighs the cost |
| ___ 19. economic efficiency | s. emphasizes the critical role that self-interest plays in decision-making |
| ___ 20. public choice theory | t. the goal of encouraging people in an economy to be as productive as possible in supplying goods and services |

Exam continues on next two pages.

Mark a T beside every true statement and an F beside every false statement (2 points each).

- ___ 21. In a market economy, some authority (usually the government) dictates what and how much producers will produce.
- ___ 22. In the United States, money is a medium of exchange.
- ___ 23. GDP stands for gross domestic product.
- ___ 24. The promise of economic security means that you give up a degree of economic freedom.
- ___ 25. Command economies try to insure significant growth while sacrificing the possibility of stability.
- ___ 26. Capitalism and socialism are much the same in who makes economic decisions.
- ___ 27. A cigarette warning label is an example of a disincentive.
- ___ 28. The production possibilities curve is the maximum production that an economy can have, given its production resources.
- ___ 29. In terms of economics, capital means materials used to produce goods.
- ___ 30. Communism is an economic system in which a government encourages and assists businessmen in establishing colonial outposts.

Answer these questions (7 points each):

31. Define microeconomics.

32. Define a command economy.

Fill in these blanks (2 points per word):

33-34. Conditions in Egypt during the famine while Joseph was living there illustrate the

economic principle of _____ and _____.

35-36. Jesus said that we cannot serve the two masters of _____ and _____.

37-38. Instead of worrying about food and clothing, Jesus told people to seek God's

_____ and His _____.

39. In the early centuries after the church began, people who wanted to escape the influence

and defilement of the world sometimes went to live in _____.

40 - 42. Micah 6:8 teaches that God wants us to do _____, love

_____, and walk _____ with our God.

43. Jesus taught that our lives do not consist of our _____ even

when we have an abundance.

44 - 45. In Proverbs 30:7-9, the writer asked God to give him neither _____

nor _____.

8. What made it possible for people to become millionaires quickly in the 1990s? *The dot-com boom in Internet businesses (115)*
9. What was the average annual growth in the gross domestic product of the United States for the fifty years following World War II? *3% (112)*
10. What are the reassuring words of Jesus from Matthew 6:34? *So do not worry about tomorrow; for tomorrow will care for itself. Each day has enough trouble of its own. Matthew 6:34 (116)*

Unit 4 Quiz

- | | |
|--------------------|--------------------|
| 1. <i>f (89)</i> | 11. <i>g (107)</i> |
| 2. <i>j (90)</i> | 12. <i>b (107)</i> |
| 3. <i>a (93)</i> | 13. <i>p (107)</i> |
| 4. <i>c (97)</i> | 14. <i>l (108)</i> |
| 5. <i>d (95)</i> | 15. <i>h (110)</i> |
| 6. <i>n (99)</i> | 16. <i>o (112)</i> |
| 7. <i>i (99)</i> | 17. <i>t (116)</i> |
| 8. <i>m (101)</i> | 18. <i>r (114)</i> |
| 9. <i>e (97)</i> | 19. <i>q (115)</i> |
| 10. <i>k (101)</i> | 20. <i>s (113)</i> |

Unit 5

Lesson 21

1. List three simple decisions you have made so far today. *Answers will vary.*
2. List three of the most important decisions you have made in your life thus far. *Answers will vary.*
3. List five of the most important decisions you expect to make in the future. *Answers will vary.*
4. Imagine that you have to choose whom you are going to marry today. List three traits you consider to be essential for that person to have. *Answers will vary.*
5. Name one decision you have made in the past that you would change now if you could. *Answers will vary.*
6. Imagine that you have an important decision to make today. Name three people you would trust to give you wise counsel. *Answers will vary.*
7. Name five decisions your parents have to make that you don't have to make yet. *Answers will vary.*
8. What is the best decision you have made in your life thus far? *Answers will vary.*
9. List the consequences you have experienced so far from that decision. *Answers will vary.*
10. The lesson mentioned two historic events in which the results turned out differently from how the decision-makers intended. Name the events and the consequences. *The Treaty of Versailles helped cause World War II. Loans that were too large for people to pay back helped cause the economic recession of 2008. (121)*

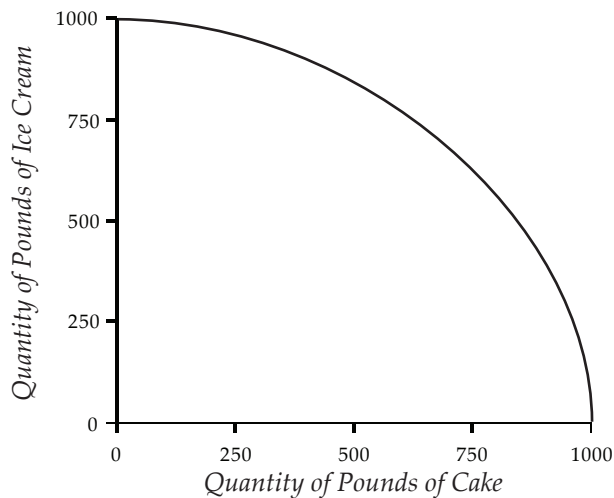
Lesson 22

1. What are three basic economic questions that people in a society decide? *What goods and services, and in what quantities, will an economy produce? How will people produce goods and services? How will people distribute the goods and services across the population? (123)*
2. What is involved in a cost-benefit analysis? *Determining the cost and the benefit of taking a particular step before you take it to determine if the benefit outweighs the cost. (125)*
3. Give an example of a cost-benefit analysis by an individual (one not given in the lesson). *Answers will vary.*
4. Give an example of a cost-benefit analysis by a business (one not given in the lesson). *Answers will vary.*
5. Give an example of a cost-benefit analysis by government (one not given in the lesson). *Answers will vary.*
6. In economics, what is a margin? *A small step that makes a big difference in an action being taken (127)*
7. What is a marginal cost-benefit decision? *Determining the point where a change in behavior occurs (127)*
8. What is a marginal benefit? *The change in total benefit that results from an action (127)*
9. What is marginal cost? *The change in total cost that results from an action (127)*
10. What is the marginal propensity to consume? *The fraction or decimal part of extra income that an individual or household is likely to spend instead of save (127)*

Lesson 23

1. Define goods. *Tangible items that companies or individuals produce for consumption (129)*
2. Define services. *Intangible duties that people perform for pay (129)*
3. What are production resources? *The elements that producers use to create goods and services. (129)*
4. What are material resources? *Those things found in nature or processed from things found in nature that people use to manufacture goods. (129)*
5. What do human resources include? *Labor, creativity, and technology (130)*

- How is the word capital used in terms of economics? *Materials used to produce goods* (13)
- Define production possibilities curve and draw a production possibilities curve for a society which can make two products: 1,000 pounds of ice cream and 1,000 pounds of cake. *The production possibilities curve is the maximum production that an economy can have, given its production resources.* (130)



- Define opportunity cost. *The greatest benefit that a producer gives up when he makes a choice.* (131)
- When does economy of scale occur? *When the average total cost per item decreases as the number of units produced increases.* (132)
- When does economy of scope occur? *When a company's average total cost of production decreases as it produces more related products.* (133)

Lesson 24

- What percentage of economic activity in the U.S. consists of personal consumption? *About 70%* (135)
- What is an economic incentive? *An economic benefit that motivates action* (135)
- Name two common incentives for consumers. *Lower prices and subsidies, such as a rebate* (135)
- Name two disincentives related to cigarettes. *Additional tax and warning labels* (136)
- What is involved in marginal rate of substitution? *How much of one product a consumer is willing to give up in exchange for another product to maintain the same level of satisfaction* (137)
- What does consumer choice theory examine? *How consumers decide what to buy* (137)

- Businesses want to know what four factors involved in consumer choice? *What consumers want, what they can afford, what they choose, and how changes in price and income affect their choices.* (137)
- How many potato chips in an individual serving bag do you think you could eat before the economic law of diminishing marginal utility would come into play for you? *Answers will vary.*
- Do you agree or disagree with the idea that a dollar of benefits to the poor will increase their utility (satisfaction) more than a dollar more in taxes will decrease the utility of the wealthy? *Answers will vary.*
- After reading the section about looking at college from an economic standpoint, what are you currently thinking about your own decision regarding college? *Answers will vary.*

Lesson 25

- How do capitalism and socialism differ in terms of who makes economic decisions? *In a market economy, the people who participate in the market of buying and selling goods and services make the decisions about who gets what and for what price. In a command economy, government officials make the decisions about who gets what and for what price.* (141)
- Define economic efficiency. *The goal of encouraging the people in an economy to be as productive as possible in making goods and services available for consumers* (141)
- Define economic equity. *The goal of having people in a society share goods and services as equally as possible.* (142)
- What does the principle of economic freedom involve? *Allowing people to do what they want to do in an economy* (143)
- How does the promise of economic security relate to economic freedom? *The promise of economic security means that you give up a degree of economic freedom.* (143)
- What is the relationship between growth and stability in both a market economy and a command economy? *Market economies enable growth by risking stability. Command economies try to insure stability while sacrificing the possibility of significant growth.* (143)
- Name one way the U.S. government provides an incentive for people who own a home. *By allowing homeowners to deduct from their taxable income the interest they pay on a home mortgage loan* (144)

8. What is the basic question a government must answer in relation to the allocation of goods and services? *Will goods and services be available only to those who can afford them, or will they be available to all, regardless of their ability to pay, by means of government funding for them?* (144)
9. Government policies that place limitations on business activity limit the choices that producers and consumers have in order to do what? *Meet other goals that the people in government value* (144)
10. According to public choice theory, what is the basic motivation for voters and elected government officials? *Self-interest* (145)

Unit 5 Quiz

- | | |
|--------------------|--------------------|
| 1. <i>k</i> (121) | 11. <i>b</i> (129) |
| 2. <i>h</i> (125) | 12. <i>d</i> (130) |
| 3. <i>a</i> (127) | 13. <i>n</i> (136) |
| 4. <i>l</i> (127) | 14. <i>s</i> (141) |
| 5. <i>i</i> (129) | 15. <i>m</i> (145) |
| 6. <i>c</i> (129) | 16. <i>r</i> (141) |
| 7. <i>e</i> (130) | 17. <i>o</i> (142) |
| 8. <i>f</i> (131) | 18. <i>t</i> (143) |
| 9. <i>g</i> (135) | 19. <i>p</i> (144) |
| 10. <i>j</i> (137) | 20. <i>q</i> (143) |

First Exam (Units 1-5)

Matching (2 points each):

- | | |
|--------------------|--------------------|
| 1. <i>c</i> (5) | 11. <i>a</i> (127) |
| 2. <i>g</i> (19) | 12. <i>e</i> (129) |
| 3. <i>n</i> (24) | 13. <i>b</i> (127) |
| 4. <i>j</i> (97) | 14. <i>d</i> (135) |
| 5. <i>o</i> (203) | 15. <i>l</i> (129) |
| 6. <i>p</i> (107) | 16. <i>h</i> (110) |
| 7. <i>f</i> (116) | 17. <i>k</i> (131) |
| 8. <i>m</i> (114) | 18. <i>q</i> (137) |
| 9. <i>i</i> (129) | 19. <i>t</i> (141) |
| 10. <i>r</i> (139) | 20. <i>s</i> (145) |

True/False (2 points each):

- | | |
|--------------------|--------------------|
| 21. <i>F</i> (9) | 26. <i>F</i> (29) |
| 22. <i>T</i> (16) | 27. <i>T</i> (136) |
| 23. <i>T</i> (21) | 28. <i>T</i> (130) |
| 24. <i>T</i> (143) | 29. <i>T</i> (130) |
| 25. <i>F</i> (143) | 30. <i>F</i> (89) |

Questions (7 points each):

31. Microeconomics is the examination of how individual households and companies make decisions and how buyers and sellers interact in the market. (21)
32. In a command economy, some authority (usually the government) dictates what and how much producers will produce. (9)

Fill in the Blanks (2 points per word):

- 33-34. *supply, demand* (41)
- 35-36. *God, wealth* (58)
- 37-38. *kingdom, righteousness* (58)
39. *monasteries* (70)
- 40-42. *justice, kindness, humbly* (80)
43. *possessions* (82)
- 44-45. *poverty, riches* (55)

Unit 6

Lesson 26

1. What is a market? *Anywhere sellers offer goods and services and buyers purchase them* (150)
2. Define these terms:
 - **capital goods**—*Things for which people make a major investment and use to produce other items*
 - **producer goods**—*Items such as tools and raw materials that people use to make other products*
 - **consumer goods**—*What end users purchase to meet their wants and needs and what they consume*
 - **durable goods**—*Goods intended to last a long time* (150-151)
3. Name three indicators of economic freedom. *The kinds and amounts of the goods and services that are available in the market, the ability of consumers to obtain those goods and services in the market, and the ability of producers to bring new and improved goods and services to the market* (151)
4. Why is a market economy sometimes called a consumer economy or consumer-driven economy? *Because the driving force in a market economy is what consumers want and are willing and able to buy* (151)
5. When does imperfect competition take place? *When there is a limited number of suppliers or buyers and one of either can have a significant effect on price* (152)
6. How does competition among “widgets” lead to a better quality of life? *People benefit from owning widgets and more people have jobs producing them.* (153)
7. Define these terms:
 - **collusion**—*Secret cooperation for a dishonest purpose*
 - **cartel**—*A group of providers that engage in collusion to increase profits* (153)
8. What is a boycott? *An organized action by buyers to bring attention to what they see as a wrong policy in an attempt to change that policy* (153)
9. Define restraint of trade. *Coercion to enforce a boycott* (153)