

Study Guide for Chapter 1 & 2 Test

1. What is the distinction between micro and macro economics? (1)
2. What is another name for personal economics? (1)
3. What is the most basic economic problem every economy faces? (1)
4. What type of economy do Cuba, China, North Korea and Vietnam have? (1)
5. What do we call the cost of foregoing one product or choice for another? (1)
6. What is a cost/benefit analysis and what do we use it for? (1)
7. What are the limitations of making every decision by using cost/benefit analysis? (1)
8. What do we mean when we say a product gives us utility? (1)
9. What is the distinction between a good and a service? (1)
10. Name the four factors of production? (1)
11. What do we call the machines that can be used to produce other goods? (1)
12. What do we call finished goods that we buy? (1)
13. What is an entrepreneur? (1)
14. What are the three basic economic questions every economy must answer? (1)
15. Who answers the basic economic questions in a market economy? (1)
16. What do we call that part of our economy that is owned or managed by private interests? (1)
17. What do we call that part of our economy that is owned or managed by the government? (1)
18. Who answers the basic economic questions in a command economy? (1)
19. What are almost all economies today? (command, market, traditional or mixed) (1)
20. What do we call an economy that trades goods and services for other goods and services? (1)
21. Who is the father of modern economics? (2)
22. What is the name of the book that the person in the previous questions wrote in 1776 and has had a huge impact on the field of economics ever since? (2)
23. What does this person think is the nature of man in 1776? (2)
24. What is *laissez faire*? (2)
25. What was the old economic order called where nations tried to accumulate as much gold and precious resources as possible to determine the wealth of that nation? (2)
26. What do we call it when a person or nation can produce a good using fewer resources than another person or nation? (2)
27. What is the production possibility frontier? (2)
28. Why do absolute advantage, comparative advantage and free trade go together? (2)
29. What are standardized products? (2)
30. What did Adam Smith call the guiding force of competition, free trade and profit seeking that channeled the actions of the market into meeting the needs of the people? (2)
31. What is another name for capitalism today? (2)
32. What is the key to the success of free enterprise? (2)
33. The failure of the Ford Edsel automobile to sell in the U.S. is an example of which economic concept? (2)
34. What is the role of government according to those who believe in free enterprise? (2)
35. What do supporters of free enterprise say encourages a person to produce or invent new goods and services? (2)
36. What do we call a good that's benefit can't be denied to people? (2)
37. What do we call the person who gets to consume a public good that doesn't have to pay for it? (2)
38. Give examples of collective goods and services. (2)

39. What do we call any good that is owned by an individual or a business? (2)
40. Give an example of the government acting as a referee in our free enterprise system? (2)
41. What do we call a binding agreement between two or more people to do something? (2)
42. Why is Karl Marx so important to economics and history? (2)
43. What is Marx' labor theory of value? (2)
44. What is Marx' view of history? (2)
45. Who led the Russian attempt to create a Marxist state? (2)
46. What did Mao Zedong add to the Marxists theory? (2)
47. What are the modern criticisms of capitalism? (2)
48. What did Lenin and his followers call their experiment in Soviet Union? What do many of their detractors call it? (2)
49. What is democratic socialism? (2)
50. What are the positives and negatives of democratic socialism and the welfare state? (2)
51. What do we call nations that are very poor and trying to grow their economies? (2)
52. What institutions exist to help poor nations borrow money to grow their economies? (2)
53. What are the factors preventing these poor nations from growing into advanced industrialized nations like the U.S.? (2)
54. What is the name of the world-wide organization that its sole goal is to promote free trade? (2)
55. What do we mean by saying the world discussions have changed from an East-West debate to a North-South debate? (2)
56. – 60. Define absolute and comparative advantage. Be able to use data to determine absolute and comparative advantage.