Name ______________________ I.D. Number ______________

Progress Test 3A

Evaluation 59
Economics
(BUSH 035 061)

This Progress Test covers the course materials that were assigned in **Unit 5 and Unit 6**. Although the progress test is similar in style to the unit evaluations, the progress test is a closed-book, proctored test. You may not have access to notes or any of the course materia while you are taking the test. It is important that you do your own work. Select the response best completes the statement or answers the question.

Multiple-Choice

Select the response that best completes the statement or answers the question.

_____ 1. A tax that consumers pay to restaurants, which send the money to the governme later, is a(n) __________ tax.

a. direct
b. indirect

_____ 2. Suppose that an income tax is proportional. If people making $50,000 a year pa percent of their incomes under this tax, what do people making over $300,000 a pay?

a. $50,000
b. 30 percent of their incomes
c. 15 percent of their incomes

_____ 3. Under which kind of tax does the percentage of income paid rise as income in

a. progressive tax
b. regressive tax
c. proportional tax

_____ 4. Real estate is the tax base for a __________ tax.

a. corporate income
b. personal income
c. property

_____ 5. __________ gave the United States ... [illegible]

a. The Sixteenth Amendment to the Constitution
b. Article 1, Section 9, Clause 4 of the Constitution
c. The Declaration of Independence

_____ 6. Suppose that Gretchen has a gross income of $80,000 and $5,000 in deductions. What is Gretchen's taxable income?

a. $80,000
b. $80,000 x .85 = $68,000
c. $75,000

_____ 7. OASDI, Social Security, and Medicare are funded by __________ taxes.

a. FICA
b. unemployment
c. import

_____ 8. What is an example of mandatory government spending?

a. defense spending
b. aid to state and local governments
c. Social Security

_____ 9. In the United States, only the national government can collect revenue with taxes.

a. true
b. false

_____ 10. The Affordable Care Act of 2010 required Americans

a. without health insurance to buy it from private exchanges or the federal insuran[ce] marketplace.
b. to invest in private health care retirement accounts and ended FICA taxes.
c. to buy all medicines and health care-related equipment from American compa[nies]

_____ 11. Fiscal policy is the use of

a. private donations to provide revenue for the government.
b. state and local revenue to support national programs.
c. government spending and revenue collection to influence the economy.

_____ 12. Which agency helps prepare the federal budget?

a. Office of Management and Budget
b. Federal Deposit Insurance Corporation
c. United States Supreme Court

_____ 13. Which statement about the federal budget in the United States is TRUE?

a. The president may approve a budget without the approval of Congress.
b. Congress could never approve a budget without the president's approval.
c. Both houses of Congress must approve the budget.

_____ 14. What is an example of a tax incentive?

a. giving federal money to a state or local government for a specific purpose
b. allowing tax deductions for manufacturers who develop environmentally friend products
c. using revenue collected by a property tax to repair streets and utilities in a city town

_____ 15. Which idea is central to classical economics?

a. The government should regulate the economy.
b. Printing more paper money will help the economy.
c. The market should be allowed to regulate itself.

_____ 16. John Maynard Keynes believed that __________ drives the economy.

a. supply
b. demand

_____ 17. Why does Keynesian economics favor an active role for the government in the economy?

a. so government can increase supply by aiding manufacturers
b. so government can prevent monopolies with anti-trust laws
c. so government can adjust demand in the economy

_____ 18. According to Keynesian economics, what should the government do to avoid recession?

a. increase spending if the country's total spending falls below what is need
b. lower taxes on manufacturers and large companies to encourage investr
c. place tariffs on imported goods to protect domestic manufacturing

_____ 19. According to Keynesian economics, how can the government reduce inflatio

a. printing paper money to put more money in circulation
b. requiring federal reserve notes to be backed by gold
c. reducing spending to decrease demand

_____ 20. Supply-side economics favors

a. higher taxes so government can buy more products.
b. progressive income taxes to collect more revenue.
c. lower taxes so businesses will have more money to invest.

_____ 23. The national debt is

a. the amount the government borrows in one fiscal year
b. the same thing as a deficit.
c. the total amount of money the government owes.

_____ 24. Which of the Federal Reserve's tools for regulating the ar
economy involves buying and selling government securiti

a. reserve requirements
b. the discount rate
c. open market operations

_____ 25. Who oversees the Federal Reserve?

a. the twelve district banks
b. the board of governors
c. the member banks

_____ 26. Monetary policy is defined as

a. the rate by which inflation increases or decreases ir
b. actions the Federal Reserve takes to influence real
c. all of the laws and regulations about different kinds

_____ 27. What is an important way in which banks make money

a. loaning required reserves to investors
b. printing paper money to meet depositors' needs
c. charging interest on loans

_____ 28. The Federal Reserve uses an easy money policy to

a. reduce the money supply.
b. stop high inflation.
c. stimulate the economy.

_____ 30. What is an example of COMPARATIVE advantage?

a. Country A can produce more lumber than Country B.
b. Country A can produce more grain than lumber.
c. Factory A can produce more tires than Factory B.

_____ 31. The law of comparative advantage says

a. a country should concentrate on producing the goods it car efficiently.
b. a country should manufacture all of its own goods and nev countries.
c. a country should place high taxes on all exported goods to interdependence.

_____ 32. Unequal distribution of resources among countries results in

a. monetarism.
b. specialization and trade.
c. tight money policy.

_____ 33. How can specialization cause job loss in a country?

a. Other countries will import fewer goods, and total deman
b. Fewer types of skills are in demand if a country only proc goods.
c. New technologies will replace workers with automated n

_____ 34. A tax on an imported good is a(n)

a. embargo.
b. import quota.
c. tariff.

_____ 35. Removing trade barriers between two or more countries is

a. free trade.
b. protectionism.
c. voluntary export restraint.

b. the use of trade barriers to protect domestic industries.
c. outlawing trade with another nation as a form of punishm

____ 37. What is an argument FOR protectionism?

a. encouraging international trade
b. guaranteeing that goods will be less expensive
c. reducing competition for domestic goods

____ 38. What is an argument FOR free trade?

a. It will create a greater demand for domestic products.
b. It can raise the standard of living by making more good
c. It prevents competitor nations from finding comparative

____ 39. A trade war usually helps all countries involved.

a. true
b. false

____ 40. The North American Free Trade Agreement (NAFTA) was that included

a. five countries in Central America.
b. Mexico, the United States, and Canada.
c. North and South America.

a. giving control of private businesses to the government.
b. transferring government-owned businesses to private individuals.
c. giving government aid to private businesses to help them develop

_____ 47. What is an argument in favor of multinational corporations?

a. They introduce new technologies, services, and industries to LDC
b. They always pay high wages to workers in less developed countr
c. They make it easier to enact trade barriers between countries.

_____ 48. An argument against multinational corporations is that they may act u
paying very low wages to workers in other countries.

a. true
b. false

_____ 49. Subsistence agriculture means

a. growing farm goods to sell for profit.
b. growing food for your own family.
c. importing agricultural goods.

_____ 50. The organization of an economy for manufacturing is

a. agrarianism.
b. industrialization.
c. balance of trade.

Carefully review your answers on this progress test and make any correct necessary. When you are satisfied that you have answered the questions