



Name: _____

Date: _____

Government and Economics, Worksheet - 1

1. Incentives matter
 - a. only when people are greedy and selfish.
 - b. only in a free market system.
 - c. only in the private sector.
 - d. to all human beings regardless of environment.

2. Which of the following is often referred to as the basic postulate of economics?
 - a. Individuals act only out of selfish motives.
 - b. Incentives matter—individuals respond in predictable ways to changes in personal costs and benefits.
 - c. The accuracy of the assumptions is the best test of an economic theory.
 - d. The value of a good is objective; it is equal to the cost of producing the good.

3. The expression, "There's no such thing as a free lunch," implies that
 - a. everyone has to pay for his own lunch.
 - b. the person consuming a good must always pay for it.
 - c. opportunity costs are incurred when resources are used to produce goods and services.
 - d. no one has time for a good lunch anymore.

4. Maria wishes to buy gasoline and have her car washed. She finds that if she buys 9 gallons of gasoline at \$2.50 per gallon, the car wash costs \$2, but if she buys 10 gallons of gasoline, the car wash is free. For Maria, the marginal cost of the tenth gallon of gasoline is
 - a. zero.
 - b. 50 cents.
 - c. \$2.00.
 - d. \$2.50.

5. If the market price of a good is more than the opportunity cost of producing it,
 - a. the market price of the product will increase in the long run.
 - b. producers will increase supply in the long run.
 - c. resources will flow away from production of the good, causing supply to decline with the passage of time.
 - d. the situation will remain unchanged as long as supply and demand remain in balance.



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Government and Economics, Worksheet - 2

Comparison of Economic Systems

1. Define Economics:
2. What are the three questions all economic systems answer?

Word Bank:									
Laissez Faire	government (2)	private property	entrepreneurs	companies	inequality	programs			
exploitation (suffering)	monopolies	command	communism	unproductive	middle				
Efficiently	consumers	exchange	money (2)	illegal	competition	mixed			
Supply	Market (3)	Trade	Capitalism	war	industries	businesses	tax (2)		

3. A traditional economy is characterized by the _____ of goods in which two people trade their possessions with each other.
4. Traditional economies do not use _____ as a medium for trade.
5. Money allows _____ and producers to connect with each other much more _____ than bartering.
6. _____ economies are driven by _____ and demand.
7. Freedom and _____ make market economies possible.
8. Another word used to describe market economies is _____.
9. Those who believe in market economies think that the more you trade with another nation the less likely you are to go to _____ with that nation.
10. _____ is the term used to describe a hands-off approach by the government towards the economy. This term is also some time referred to as the “invisible hand of the market.”