

Chapter 1 The Dynamics of Business and Economics

True/False Questions

1) A product can be an idea.

True False

2) Habitat for Humanity is a nonprofit organization because it does not have the fundamental purpose of earning a profit.

True False

3) A shareholder is NOT a stakeholder.

True False

4) Businesses have the right to keep and use their profits as they choose, without limitations.

True False

5) Operations management applies to the development of both good and services.

True False

6) The functions of management are decision making, leadership, and the implementation of work tasks.

True False

7) The four Ps of marketing are product, purchasing, price, and promotion.

True False

8) Finance refers to all activities concerned with obtaining money and using it effectively.

9) Owners have little responsibility to provide funds for the operation of the business.

True False

10) John's logging business is reliant on the land on which the trees are grown, the people who work for him, and the capital it takes to run his business. Together, these make up his natural resources.

True False

11) All economic systems must address three important issues, one of which is how the goods and services will be produced.

True False

12) In a communist system, competition is restricted in major industries but encouraged in small business.

True False

13) In a modified capitalist system, the government intervenes and regulates business to some extent.

True False

14) In Great Britain and Mexico, the governments have some state-run businesses, but they are attempting to sell many of these to private individuals and companies. This demonstrates a mixed economy.

True False

15) For free enterprise to exist, individuals and businesses must have the right to make decisions about how a business operates without regulation.

True False

16) The equilibrium price is represented by the point where a product's supply and demand curves intersect.

True False

17) According to Adam Smith, competition hinders efficiency and low prices by forcing producers to offer the best products at the highest price.

True False

18) In a pure competition environment, no business sells enough of the product to influence the price.

True False

19) When someone receives a patent on a specific product, that person has a monopoly on that product.

True False

20) Contractions of the economy lead to inflation.

True False

21) GDP measures those goods and services made within a country and profits from companies' overseas operations.

True False

22) The U.S. had a balanced budget in the 1990s.

True False

23) Nations with a high GDP have a higher standard of living.

True False

24) A positive relationship exists between a country's employment rate and economic growth and between output and employment.

True False

25) There is a negative relationship between regulatory actions and innovation in firms.

True False

26) Eli Whitney's cotton gin was a determining factor in the agricultural economy in the 19th century.

True False

27) The United States currently has record highs in the country's fertility rate.

True False

28) Service industries now account for almost half of the U.S. economy.

True False

29) Henry Ford, J.P Morgan, and Bill Gates were all entrepreneurs.

True False

30) While ethical behavior can enhance a company's reputation, it often has a negative effect on the company's financial performance.

True False

Multiple Choice Questions

31) _____ is the primary goal of business.

- A) Charity
- B) Profit
- C) Bureaucracy
- D) Quality
- E) Strategy

32) The outcomes of a business's efforts are

- A) benefits.
- B) profits.
- C) products.
- D) services.
- E) tangible goods.

33) Businesses differ from nonprofit organizations in that a business's focus is on

- A) profit.
- B) goods.
- C) price.
- D) charity.
- E) fund raising.

34) Which of the following is an example of an intangible product?

- A) a movie DVD
- B) a sandwich
- C) a sports car
- D) a music concert
- E) jewelry

35) Sue hired an attorney to help her draft a purchase and sale agreement for her new home. The home is an example of a product that is a(n)

- A) idea.
- B) service.
- C) tangible item.
- D) process.
- E) free service.

36) Which of the following is an example of a tangible product?

- A) an automobile
- B) a movie at the cinema
- C) a theater play
- D) a music concert
- E) a business conference

37) Which of the following statements is true about businesses and profits?

- A) Profit making is a business activity that seldom requires risk taking.
- B) Businesses do not have the right to use their profits the way they choose.
- C) Profit-making businesses often weaken the economy of a country.
- D) Earning profits contributes to society by creating resources that support social institutions and government.
- E) Ignoring the interests of stakeholders is the best way for a business to be profitable.

38) All of the following are true of nonprofit organizations EXCEPT they

- A) may provide goods and services.
- B) may engage in fund raising.
- C) support businesses through donations from employees.
- D) utilize skills related to management, marketing, and finance.
- E) include charities and social causes.

39) All the groups that have an interest in an organization's success and outcomes are known as the organization's

- A) agencies.
- B) stakeholders.
- C) owners.
- D) investors.
- E) shareholders.

40) Auto Depot is working to find a way to produce the SUVs and trucks its customers want while meeting environmental requirements. This is an effort to please multiple

- A) shareholders.
- B) clients.
- C) stakeholders.
- D) businesses.
- E) priorities.

41) All of the following are people and forces beyond an organization's control that have an impact on the business's daily operations EXCEPT

- A) employees.
- B) regulatory forces.
- C) competition.
- D) the political environment.
- E) technology.

42) Among the major activities of business, which of the following is an element of management?

- A) marketing activities
- B) product research
- C) personal selling
- D) promoting sales
- E) acquiring resources

43) Mary is the owner of a small business. She has an HR person, an operations manager, a marketing manager, and a sales manager on staff. Who is responsible for the financial decisions that arise in the course of business?

- A) the HR person
- B) the operations manager
- C) the sales manager
- D) the marketing manager
- E) Mary

44) Which of the following is true of the responsibilities of the people involved in a business?

- A) The finance department is concerned with acquiring, developing, and using human resources effectively and efficiently.
- B) The marketing team handles all activities concerned with obtaining money for the firm and using it effectively.
- C) The managers of nonprofit organizations conduct all kinds of business operations except collecting funds.
- D) The senior management is not involved in the day-to-day functions of production and manufacturing.
- E) The primary responsibility of providing financial resources for the operation of the business lies with the business owners.

45) _____ is an element of the management activity in a business.

- A) Operations
- B) Advertising
- C) Sales promotion
- D) Personal selling
- E) Publicity

46) Paral has responsibility for the functions of organizing, staffing, planning, and controlling activities in a large company. These functions are most closely associated with

- A) managers.
- B) assembly line workers.
- C) investment advisors.
- D) stockbrokers.
- E) direct sales executives.

47) Karen, the manager of a new pet grooming company, makes sure her grooming salon always has plentiful treats and toys for the animals, as well as beverages and snacks for their owners to ensure a quality customer service experience. This is an example of the _____ element of management.

- A) service
- B) leadership
- C) decision-making
- D) motivational
- E) operations

48) _____ gather information and conduct research to determine what customers want. They also plan and develop products and make decisions about how much to charge for their products and when and where to make them available.

- A) Accountants
- B) Engineers
- C) Marketers
- D) Supervisors
- E) Stockbrokers

49) Which of the following can be grouped under a single segment among the various elements of business activity?

- A) marketing and finance
- B) management and end-users
- C) organization and customers
- D) marketing and consumers
- E) management and regulatory forces

50) Advertising, personal selling, coupons, and sweepstakes are forms of the _____ aspect of marketing activities.

- A) product
- B) promotion
- C) distribution
- D) price
- E) place

51) Games Galore has a new video game that it hopes will increase its sales. It is offering coupons and a sweepstake to get people to buy the game. These are all examples of

- A) sales promotion.
- B) publicity.
- C) advertising.
- D) personal selling.
- E) direct retail.

52) Which of the following is NOT true of the marketing mix?

- A) Product management involves product adoption or deletion, branding, and product positioning.
- B) Product management involves making sure products are available in the right place at the right time.
- C) It is essential to select the right price for the product.
- D) Distribution involves making sure products are available in the right place at the right time.
- E) Marketers use promotion to increase sales.

53) When a business fails or does not make a profit, _____ have the most to lose in terms of

finances.

- A) consumers
- B) media agencies
- C) government bodies
- D) owners
- E) market experts

54) David is an accountant for a small company. As such, he participates primarily in _____ activities.

- A) management
- B) financial
- C) operations
- D) marketing
- E) advertising

55) _____ is the study of how resources are distributed for the production of goods and services within a social system.

- A) Public relations
- B) Sociology
- C) Demographics
- D) Psychographics
- E) Economics

56) A firm's _____ resources are also known as labor.

- A) economic
- B) human
- C) intangible
- D) financial
- E) natural

57) _____ are the funds used to acquire the natural and human resources needed to provide products.

- A) Skills
- B) Exchanges
- C) Capital resources
- D) Labor charges
- E) Barter charges

58) Which of the following is a factor of production for a firm?

- A) advertising media
- B) legal consultants
- C) customers
- D) natural resources
- E) company reputation

59) Which of the following is a natural resource?

- A) minerals
- B) people
- C) capital
- D) money
- E) labor

60) Which of the following is an intangible resource?

- A) physical and mental abilities of people
- B) forests and minerals
- C) economic capital
- D) financial assets
- E) company reputation

61) A(n) _____ describes how a particular society distributes its resources to produce goods and services.

- A) labor system
- B) economic system
- C) political ideology
- D) legal framework
- E) judicial scheme

62) Joachim lives and works in a communist country. Which of the following statements is true about a communist economy?

- A) It is characterized by the people (through the government) owning and operating most businesses.
- B) It relies on supply and demand to make decisions about pricing and production of goods.
- C) It encourages private ownership of the means of production.
- D) It encourages free market and competition.
- E) It provides scope for the production of a large variety of goods and services.

63) Which of the following is considered a command economy?

- A) capitalism
- B) libertarianism
- C) private enterprise
- D) communism
- E) laissez-faire market

64) Which of the following is a characteristic of communist economies in reality?

- A) critical shortages of consumer goods
- B) high standards of living
- C) low prices
- D) excessive freedom
- E) absence of corruption

65) Which of the following has become the first communist country to make strong economic

gains by adopting capitalist approaches to business?

- A) Singapore
- B) India
- C) Thailand
- D) China
- E) Japan

66) How are profits handled in communist systems?

- A) Profits earned by small businesses may be reinvested in the business.
- B) Individuals are free to keep profits after paying taxes.
- C) Businesses are free to keep profits after paying taxes.
- D) Excess income goes to the government.
- E) Only profits from government-owned industries go to the government.

67) Which of the following is MOST true of product availability in a communist system?

- A) Consumers have a wide choice of goods.
- B) Consumers have a wide choice of services.
- C) Consumers have a limited choice of goods and services.
- D) Consumers have a limited choice of services.
- E) Consumers have a limited choice of goods.

68) In which of the following economic systems do most people work for government-owned industries or farms?

- A) capitalist
- B) communist
- C) socialist
- D) libertarian
- E) neo-realist

69) In a socialist economy,

- A) the government owns all businesses, large and small.
- B) everyone works for government organizations.
- C) competition is restricted in major industries.
- D) consumers have a wide choice of goods and services.
- E) demand and supply have no role to play in the pricing of products and services.

70) _____ is an economic system in which the government owns and operates basic industries.

- A) Collectivism
- B) Capitalism
- C) Socialism
- D) Egalitarianism
- E) Utilitarianism

71) Which of the following is a true statement about a socialist system of economy?

- A) Individuals own and operate the majority of businesses that provide goods and services.
- B) Central planning determines what basic goods and services are produced.
- C) Competition, supply, and demand determine which goods and services are produced and how they are produced.
- D) All economic decisions are made without government intervention.
- E) Consumers have a wide choice of goods and services.

72) In the fictional country of Thelisia, income and social services are distributed equally among its citizens. However, they must pay high taxes, and they experience high levels of unemployment. Thelisia is an example of a(n) _____ nation.

- A) communist
- B) socialist
- C) capitalist
- D) supply and demand
- E) entrepreneurial

73) In a free-market system,

- A) laissez-faire capitalism is absent.
- B) government regulates business.
- C) modified capitalism is the norm.
- D) all economic decisions are made without government intervention.
- E) central government planning determines what goods and services satisfy citizens' needs.

74) In a capitalist economic system,

- A) the government owns and operates all businesses.
- B) there is little scope for competition.
- C) consumers have a limited choice of goods and services.
- D) the majority of people possess government jobs.
- E) prices of goods and services are determined by demand and supply.

75) _____ is often called the father of capitalism.

- A) Karl Marx
- B) George Washington
- C) Benjamin Franklin
- D) Alan Greenspan
- E) Adam Smith

76) How does modified capitalism differ from pure capitalism?

- A) The government intervenes and regulates all business.
- B) The government doesn't intervene or regulate business at all.
- C) The government intervenes and regulates business to some extent.
- D) The government intervenes and regulates basic industries only.
- E) The government relies on individuals to regulate all aspects of business, including passing laws.

77) During a recent recession, the government of a country provided loans and took ownership

positions in its main bank, Savings Co. What economic system does this exemplify?

- A) modified capitalism
- B) pure capitalism
- C) laissez-faire capitalism
- D) communism
- E) socialism

78) Egalitarianism refers to the

- A) exemption of taxes for successful businesses.
- B) restrictions on taking up non-government jobs.
- C) equal distribution of income and social services.
- D) concept of the rich getting richer and the poor getting poorer.
- E) restriction of competition in small businesses by government regulations.

79) Which of the following countries is an example of an economic system based on capitalism?

- A) Russia
- B) Sweden
- C) Japan
- D) India
- E) Iran

80) All of the following are examples of mixed economies EXCEPT,

- A) in socialist France, the French government owns the postal service industry.
- B) in socialist Sweden, most businesses are owned and operated by private individuals.
- C) in capitalist United States, an independent federal agency operates the postal service.
- D) in once-communist Russia, private ownership of businesses has been implemented.
- E) in communist China, state capitalism is used to advance the economy.

81) Gary is a real estate entrepreneur in a country that promotes the individual right to own property, earn profits, make decisions about business operations, and choose productivity systems. Which of the following systems best describes Gary's business environment?

- A) mixed economy
- B) free market
- C) capitalist
- D) free enterprise
- E) socialist

82) _____ relates to the number of goods and services that consumers are willing to buy at different prices at a specific time.

- A) Demand
- B) Supply
- C) Elasticity
- D) Balance of payments
- E) Deficit

83) _____ is the price at which the number of products that businesses are willing to supply equals the number of products consumers are willing to purchase at a point in time.

- A) Bundled
- B) Equilibrium
- C) Discount
- D) Competitive
- E) Maximum retail

84) _____ is the number of products that businesses are willing to sell at different prices at a specific time.

- A) Equilibrium
- B) Distribution
- C) Cost pricing
- D) Demand
- E) Supply

85) Generally, when a retailer announces a discount sale on all its products

- A) consumers will not demand more than usual.
- B) the store will not supply more products than it normally does.
- C) consumers will demand more products.
- D) the manufacturer will halt production.
- E) consumers will demand fewer products than usual.

86) If you are a member of a wholesale club, like BJ's or Sam's Club, you tend to buy items like toilet paper and groceries in bulk to save money. This is an element of

- A) demand.
- B) supply.
- C) equilibrium.
- D) pricing.
- E) free enterprise.

87) Which of the following statements describes the force that drives the distribution of resources (goods and services, labor, and money) in a free-enterprise economy?

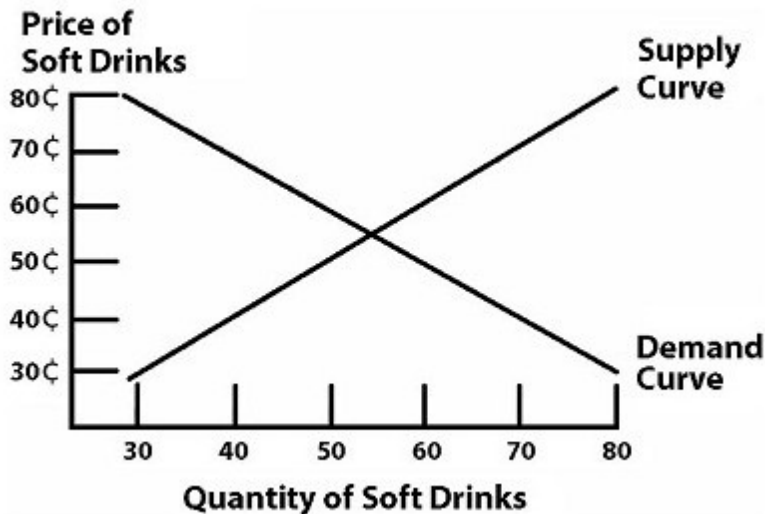
- A) Prices for goods and services vary according to the changes in supply and demand.
- B) Supply and demand curves intersect at the point where supply and demand are not equal.
- C) Changing the price of a product does not alter the supply curve.
- D) The price at which the number of products that businesses are willing to supply is inversely proportional to the amount of products that consumers are willing to buy at a specific point in time.
- E) Businesses are willing to supply more of a good or service at higher prices because the potential for profits is higher.

88) Which of the following markets is most likely to be a monopoly?

- A) agricultural commodities
- B) lifestyle gadgets
- C) airlines

- D) utility companies
- E) automobile manufacturers

89) Using the supply and demand curves shown in the graph that follows, what is the equilibrium price for soft drinks?



- A) 35 cents
- B) 45 cents
- C) 50 cents
- D) 55 cents
- E) 75 cents

90) According to Adam Smith, competition

- A) mitigates growth.
- B) fosters efficiency.
- C) prevents low prices.
- D) increases demand.
- E) increases prices.

91) Steve is an entrepreneur who decided to start an online bakery. Since all his business will be done online and he can bake in his home kitchen, he is saving building and other brick-and-mortar costs, which allows him to pass that savings on to his customers. Reducing prices to customers is an element of

- A) supply.
- B) demand.
- C) competition.
- D) equilibrium pricing.
- E) resource distribution.

92) When different businesses promote similar products that differ in some characteristics but satisfy the same consumer need, the competitive environment is most likely to be

- A) monopolistic competition.

- B) pure competition.
- C) an oligopoly.
- D) a monopoly.
- E) socialist.

93) _____ is an example of a product of monopolistic competition.

- A) Cotton
- B) Wheat
- C) Aspirin
- D) Electricity
- E) An airline fare

94) Kevin owns a local farm stand. Although he sells fruit and vegetables, like the grocery store chains in the area, he has some power over the price he charges because he can offer consumers features they want. For instance, his fruit and vegetables are organic and locally grown. This is an example of

- A) monopolistic competition.
- B) pure competition.
- C) oligopoly.
- D) monopoly.
- E) competition.

95) Which of the following exists when there are many small businesses selling one standardized product, such as agricultural commodities like wheat, corn, and cotton?

- A) pure competition
- B) monopolistic rivalry
- C) imperfect competition
- D) oligopoly
- E) monopoly

96) The market for corn in Brazil has a large number of sellers and buyers, and there is no difference in the products sold by each seller. As a result, prices are determined by the

- A) businesses that sell the corn.
- B) consumers that buy the corn.
- C) forces of supply and demand.
- D) government.
- E) agricultural industry.

97) When there is only one business providing a product in a given market, there exists

- A) an oligopoly.
- B) modified competition.
- C) pure competition.
- D) monopolistic competition.
- E) a monopoly.

98) In which of the following market structures do individual businesses have control over their products' price because each business supplies a large portion of the products sold in the marketplace?

- A) monopsony
- B) monopoly
- C) oligopoly
- D) government-granted monopoly
- E) coercive gambling

99) Which of the following is true regarding an oligopoly?

- A) Prices charged by different firms stay fairly close because a price cut or increase by one company will trigger a similar response from another company.
- B) The prices charged by different firms vary widely since each firm can charge whatever it wants.
- C) In oligopolies, it is inexpensive for new firms to enter the marketplace.
- D) Prices never change because the government has set the products' price.
- E) Since there are very few businesses selling the product, there is no need to ever change the price.

100) Following a bad harvest, the prices of agricultural commodities in a country have increased dramatically, as have the prices of products manufactured from agricultural commodities. Government intervention has failed to arrest the rising prices. Based on this information, the country is undergoing

- A) deflation.
- B) stagflation.
- C) contraction.
- D) depression.
- E) inflation.

101) Economic expansion occurs when

- A) fewer goods and services are produced than consumer demand.
- B) an economy is growing and people are spending more money.
- C) a nation's standard of living drops dramatically.
- D) employment levels decline over time.
- E) prices begin to rise and incomes begin to fall.

102) Rachel is living on a fixed income since her retirement. She is worried that the economy is expanding too rapidly, which could result in

- A) inflation.
- B) depression.
- C) a recession.
- D) economic contraction.
- E) deflation.

- 103) Which of the following is true of economic expansion?
- A) There is a decline in production, employment, and income.
 - B) The standard of living rises because more people are employed and have money to spend.
 - C) There is a decline in spending.
 - D) Consumer spending is low and business output is sharply reduced.
 - E) The prices stagnate during this period.
- 104) Which of the following is a characteristic of economic depression?
- A) Unemployment levels are low or almost absent.
 - B) Consumer spending is high.
 - C) Individuals' incomes increase at the same pace as rising prices.
 - D) Buying power of consumers is significantly increased.
 - E) Business output is sharply reduced.
- 105) Which of the following is associated with a decline in spending?
- A) inflation
 - B) economic contraction
 - C) economic expansion
 - D) employment boom
 - E) job expansion
- 106) Contractions of the economy lead to
- A) inflation.
 - B) recession.
 - C) rising levels of employment.
 - D) an increase in production.
 - E) an increase in income.
- 107) Increased unemployment can reduce consumer demand for goods and services, leading to
- A) economic expansion.
 - B) inflation.
 - C) deflation.
 - D) budget surplus.
 - E) recovery.
- 108) The country of Manyland experienced a rapid expansion of its economy, which resulted in prices doubling every 12 hours. This is an example of
- A) recession.
 - B) hyperinflation.
 - C) deflation.
 - D) depression.
 - E) stimulus.
- 109) Which of the following statements is true about GDP as a measure of a country's economic health?
- A) It does not include the services produced in a country.

- B) It measures only those goods and services made within a country.
- C) It includes profits from companies' overseas operations.
- D) It does not include profits earned by foreign companies within the country being measured.
- E) It essentially takes into account the concept of GDP in relation to population.

110) The United States has a budget deficit of over 18 trillion dollars. A budget deficit occurs when a nation

- A) reduces its expenditures.
- B) receives excess taxes.
- C) has no national debts.
- D) spends more than it takes in from taxes.
- E) balances taxes and expenditures.

111) If a country balances the money it spends for social, defense, and other programs with the amount of money it takes in from taxes, this country is eliminating a

- A) budget deficit.
- B) national debt.
- C) budget surplus.
- D) trade imbalance.
- E) recession.

112) _____ measures changes in the prices of goods and services purchased for consumption by typical urban households.

- A) GDP
- B) Per capita income
- C) Worker productivity
- D) Trade balance
- E) Consumer price index

113) _____ indicates the income level of "average" Americans. It is useful in determining how much "average" consumers spend and how much money Americans are earning.

- A) Per capita income
- B) GDP
- C) Budget deficit
- D) Consumer price index
- E) Worker productivity

114) All of the following statements are true of the U.S. national debt EXCEPT

- A) massive government stimulus spending during the most recent recession increased the national debt.
- B) it is difficult to increase taxes and reduce the deficit because Americans don't want their taxes increased and Congress has difficulty agreeing on appropriate tax rates.
- C) by 2017, the national debt exceeded \$20 trillion.
- D) in 2015, the national debt reached a new low.
- E) to reduce the debt, the government has to increase its revenues or reduce spending on social,

defense, and legal programs.

115) In Norway, most citizens are able to afford basic necessities and some degree of comfort.

This means Norway has a(n)

- A) high standard of living.
- B) low standard of living.
- C) high cost of living.
- D) low GDP per capita.
- E) average standard of living.

116) Which of the following is true of an open economy, like that of the United States?

- A) Open economies tend to grow very slowly.
- B) Open economies do not engage in international trade.
- C) Open economies tend to lack efficiency and productivity.
- D) Open economies are major players in international trade and tend to grow fast.
- E) Open economies lack access to technology.

117) Joe is a consumer who earns less than \$50,000 per year. Joe exemplifies the

- A) group that pays an average tax rate of 25.6 percent.
- B) group that pays 48.9 percent of individual income taxes.
- C) minority of individual tax returns filed.
- D) group that pays 5 percent of total taxes.
- E) majority of individual tax returns filed.

118) To reduce its tax rates, Mootown Burgers moved its headquarters to a country with a lower tax rate. This is an example of tax

- A) inversion.
- B) evasion.
- C) revision.
- D) avoidance.
- E) alteration.

119) Before the Industrial Revolution, the economy of North America under the colonists was characterized by

- A) hunting and gathering instead of agriculture.
- B) the export of manufactured goods to England.
- C) a scarcity of natural resources.
- D) dependence on England for everyday goods.
- E) the domestic system of producing goods.

120) Which of the following is a change that occurred in the United States during the Industrial Revolution?

- A) Farm production decreased as industrial production increased.
- B) As work became more localized, productivity decreased.
- C) Trade within the country decreased as regions became self-sufficient.
- D) Farmers began to move to cities to find jobs in factories.

E) Fewer goods were available, and prices of goods increased.

121) In the history of the American economy, the period following the Industrial Revolution was known for an increasing emphasis on

- A) services.
- B) artisanship.
- C) manufacturing.
- D) agriculture.
- E) information.

122) When the assembly line was applied to more industries, America entered the

- A) marketing economy.
- B) agrarian economy.
- C) indigenous manufacturing economy.
- D) production economy.
- E) service economy.

123) Which of the following is a characteristic of the marketing economy phase of the American economy?

- A) People were self-sufficient and produced everything they needed at home, including food, clothing, and furniture.
- B) People found natural resources, such as coal and iron ore, and used them to produce goods, such as horseshoes.
- C) Farm families who produced surplus goods sold or traded them for things they could not produce themselves.
- D) Expensive goods, such as cars and appliances, could be purchased on a time-payment plan.
- E) Factories began to spring up along the railways to manufacture farm equipment and a variety of other goods to be shipped by rail.

124) Which of the following is a characteristic of a service economy?

- A) It is concerned with the indigenous production of food, clothing, and furniture.
- B) It is devoted to producing services that make life easier for busy consumers.
- C) It is devoted to producing goods and services rather than producing agricultural products.
- D) It is significant for the development of factories along the railways to manufacture farm equipment.
- E) It is particularly important for enabling farmers to send their surplus crops and goods all over the nation for barter or for sale.

125) An entrepreneur has been primarily associated with the willingness to

- A) change employers frequently.
- B) work under authority.
- C) be conservative.
- D) possess a government job.
- E) take risks.

126) The American economic system is best described as _____ because the government

regulates business to preserve competition and protect consumers and employees.

- A) socialism
- B) laissez-faire capitalism
- C) modified capitalism
- D) communism
- E) Marxism

127) Which of the following emerged in the United States as a result of industrialization?

- A) government ownership of business
- B) price regulation by planning commissions
- C) low standard of living
- D) increase in the number of farmers
- E) increase in the variety of goods available

128) Which of the following is true of the role of ethics and social responsibility in business?

- A) Ethical conduct and corporate social responsibility are linked to increased profits.
- B) Businesses do not need to consider social values in the contemporary scenario.
- C) Investors and retired employees remain unaffected in case of scandals.
- D) Businesses' reputations depend solely on their profits.
- E) Business misconduct is likely to be widely excused if it enhances firms' profits.

129) Several employees in a well-known corporation, CarCorp, were arrested for intentionally selling defective car parts to their customers. Scandals like this

- A) do not affect corporations.
- B) undermine public confidence in corporations.
- C) cause society to boycott corporations.
- D) have a positive effect on retired employees.
- E) resolve the debate about ethics in business.

130) Which of the following is done by the American government to counteract economic contraction?

- A) It may reduce interest rates.
- B) It decreases its own spending for goods and services.
- C) It raises the reserve rate of banks.
- D) It decreases the money supply.
- E) It sells securities through the Federal Reserve Board.

Essay Questions

131) What are nonprofit organizations? Differentiate between nonprofit organizations and businesses.

132) Name at least 3 benefits of studying business.

133) Differentiate between communist, socialist, and capitalist economic systems.

134) How is gross domestic product (GDP) used as a measure of a nation's economic health?

135) Describe the pre-industrial economic phase of the United States.

136) Describe the role of ethics and social responsibility in business.