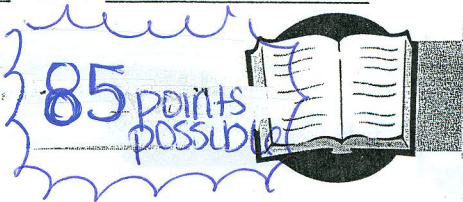


Unit 3 Overview Questions
Chapters 5, 6, & 7.1



Directions: As you read Chapter 5, answer the following questions. Later you can use this study guide to review chapter information.

Section 5.1 Comparing Economic Systems

1. What is economics? _____

2. Explain the difference between macroeconomics and microeconomics. _____

3. List the economic resources that societies use to reach their goals. _____

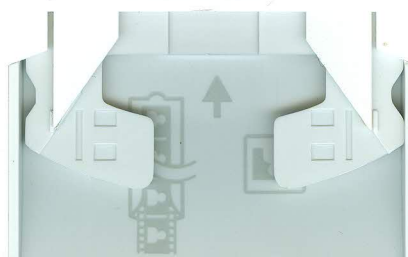
4. Why must every society make choices about what it will produce? _____

5. Summarize the difference between a command economy and a market economy. _____

6. What kind of economy do most countries have? _____

7. List the characteristics that are fundamental to the U.S. economy. _____

(Continued on next page)





Section 5.2 Producers and Consumers

- 8. In a market economy, what motivates producers of goods and services? _____

- 9. Identify the factors of production needed to produce goods and services. _____

- 10. What is productivity? _____

- 11. How does specialization improve productivity? _____

- 12. Identify the three types of business organizations in the United States. _____

- 13. How can a corporation reward its shareholders? _____

- 14. According to the law of demand, what happens to the demand for a product when the price goes up? Why? _____

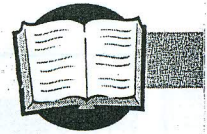
- 15. According to the law of supply, what happens to the supply of a product when the price goes up? Why? _____

- 16. How might a pay increase for workers at a company affect the prices the company charges?



Chapter 5 The U.S. Economic System

Study Guide (Continued)



17. What are two ways that rival companies can compete for consumer dollars? _____

Section 5.3 The Government's Role

18. What are the four major roles that governmental bodies play in the American economy?

19. Why do public services need to be provided by the government rather than by individuals?

20. Identify three types of benefits provided by the Social Security System. _____

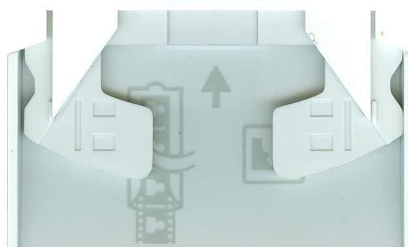
21. What is the overall purpose of public assistance programs? _____

22. How does the food stamp program help needy people purchase food? _____

23. What kinds of government regulations protect consumers? _____

24. What is a monopoly? _____

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Name _____ Date _____ Class _____



Study Guide (Continued)

Chapter 5 The U.S. Economic System

25. What is the purpose of antitrust laws? _____

Section 5.4 Principles of Taxation

26. For what purposes do governments use taxes and the tax system? _____

27. What kind of tax is the federal government's main source of income? _____

28. What kind of tax is the leading source of revenue for many state governments? _____

29. What are excise taxes? Name six products that are subject to excise taxes. _____

30. What are customs duties and tariffs? _____

31. Name the two principles that are used to ensure that taxes are applied fairly. _____

32. What is the key characteristic of a progressive tax? _____

33. Identify five major spending categories for state and local tax revenue. _____

Chapter 6 The Health of the Economy

Study Guide



Directions: As you read Chapter 6, answer the following questions. Later you can use this study guide to review chapter information.

Section 6.1 Economic Ups and Downs

1. What are the four phases of the business cycle? _____

2. Summarize what happens during a recession. _____

3. What is inflation? _____

4. Why is inflation particularly hard on people on fixed incomes? _____

5. Identify four factors that appear to trigger economic ups and downs. _____

6. How does consumer gloom about the future affect the economy? _____

7. Identify three economic indicators used to monitor the health of the economy. _____

8. What is the consumer price index based on? _____

Section 6.2 Deficits and Debt

9. What is the goal of the budget process? _____

(Continued on next page)





- 10. What is deficit spending? _____

- 11. How does buying a savings bond benefit both the buyer and the government? _____

- 12. What is the term used for the amount of money the government owes? _____

Section 6.3 Stabilizing the Economy

- 13. How does a government decision to cut personal taxes help the economy? _____

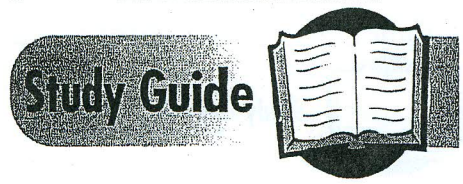
- 14. What is the primary responsibility of the Federal Reserve System? _____

- 15. What happens when the Fed increases the money supply? _____

- 16. What happens when the Fed decreases the money supply? _____



Chapter 7 Global Economics



Directions: As you read Chapter 7, answer the following questions. Later you can use this study guide to review chapter information.

Section 7.1 Trade Between Nations

1. What are imports? Identify five categories of imports. _____

2. According to Adam Smith, how could a nation increase its productivity and wealth?

3. What is the advantage of having every national specialize in the goods they produce most efficiently? _____

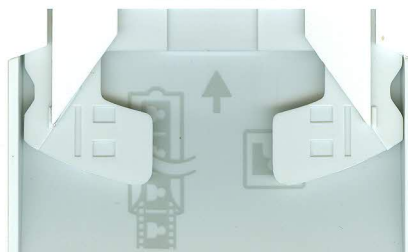
4. In what ways does international trade benefit consumers? _____

5. How does international trade contribute to prosperity? _____

6. Why do flexible exchange rates make the cost of doing business unpredictable? _____

7. What do many countries do to control the value of their currency? _____

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8. How does the strength of the U.S. dollar affect the nation's exports? _____

9. What happens when a country spends more on imports than it receives for exports?

10. Identify the two main types of transactions that are recorded in a country's balance of payments.

Section 7.2 Trade Restrictions and Agreements

11. What are the three main methods of restricting trade? _____

12. What is the difference between protectionism and free trade? _____

13. How does protectionism help infant industries? _____

14. Why does free trade promote competition? _____

15. What was the goal of the General Agreement on Tariffs and Trade (GATT)? _____

16. What is the North American Free Trade Agreement (NAFTA)? _____

