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■ *Achievement Exam*

Select the single best answer for each question or statement, then go online to www.myashworth.com and enter your answers.

1. In a perfectly free competitive market, __________.

_____ A. no buyer or seller has the power to significantly affect the price of a good

_____ B. the most influential buyers or sellers have the power to affect the price of a good

_____ C. the majority of buyers or sellers have the power to affect the price of a good

_____ D. only buyers have the power to significantly affect the price of a good

2. Which of the following are characteristics of a perfectly free economy?

_____ A. There are numerous buyers and sellers, none of whom has a substantial share of the market.

_____ B. All buyers and sellers can freely and immediately enter or leave the market.

_____ C. Every buyer and seller has full and perfect knowledge of what every other buyer and seller is doing, including knowledge of the prices, quantities, and quality of all goods being bought and sold.

_____ D. All the above

3. In a perfectly free economy, all buyers and sellers are what?

_____ A. utility users

_____ B. utility creators

_____ C. utility maximizers

_____ D. utility diminishers

4. When a buyer purchases a good, each additional item of a certain type is less satisfying than the earlier ones. This is known as __________.

_____ A. the principle of increasing marginal utility

_____ B. the principle of gross marginal utility

_____ C. the principle of diminishing marginal utility

_____ D. the principle of consumer awareness

5. Efficiency comes about in perfectly competitive free markets when __________.

_____ A. firms are motivated to invest resources in industries with a high consumer demand and move away from industries where demand is low

_____ B. firms are encouraged to minimize the resources they consume to produce a commodity and to use the most efficient technologies

_____ C. commodities are distributed among buyers such that buyers receive the most satisfying commodities they can purchase, given what is available to them and the amount they have to spend

_____ D. all the above

Lesson 5

6. In a monopoly, how many sellers are there?

_____ A. There is a relatively small number of large firms controlling the market.

_____ B. There is only one seller, but other sellers can enter the market.

_____ C. There are many sellers, so new sellers cannot enter the market.

_____ D. There is only one seller, and new sellers cannot enter the market.

7. Monopolistic markets and their high prices and profits violate capitalist justice. Why?

_____ A. Monopolies are much like communism.

_____ B. Buyers will not pay high prices, so the monopoly will fail.

_____ C. Charging high prices is an unsustainable business model.

_____ D. The seller charges more than the goods are worth; therefore, the prices are unjust.

8. The common definition of price fixing is __________.

_____ A. when companies agree to set prices artificially high

_____ B. when companies agree to limit production

_____ C. when a company sells a buyer certain goods only on condition that the buyer also purchases other goods from the firm

_____ D. when companies agree to limit production

9. When a company sells a buyer certain goods only on condition that the buyer also purchases other goods from the firm, this is known as _________.

_____ A. manipulation of supply

_____ B. exclusive dealing arrangements

_____ C. price discrimination

_____ D. tying arrangement

10. Proponents of the Antitrust view argue that prices and profits in highly concentrated industries are higher than they should be. By breaking up large corporations into smaller units, what do they claim will happen?

_____ A. Higher levels of competition will emerge in those industries.

_____ B. The weaker units will fail, making the more successful ones thrive.

_____ C. It will encourage higher prices.

_____ D. It will allow for easier entry into the market for new sellers.

11. Which government law is the most important legislation that protects markets from price fixing?

_____ A. Interstate Commerce Act

_____ B. Clayton Act

_____ C. Sherman Antitrust Act

_____ D. Tobacco Trust Act

12. When companies get together to fix prices, the result is __________.

_____ A. a consortium of suppliers

_____ B. an oligopoly

_____ C. a monopoly

_____ D. none of the above

13. What is the most obvious failure of monopoly markets?

_____ A. the damage to the environment

_____ B. the high prices they allow the monopoly companies to charge

_____ C. the inequalities between employees and executives

_____ D. monopoly markets have no real failures

14. Which of the following is NOT a feature of a perfectly competitive free market?

_____ A. All buyers and sellers are utility maximizers.

_____ B. Buyers and sellers do not have knowledge of what every other buyer and seller is doing.

_____ C. Goods being sold in the market are extremely similar.

_____ D. No external parties regulate the price.

15. In a perfectly competitive market, what is the equilibrium point?

_____ A. the point at which the sellers can produce the largest quantity, and the highest price at which the sellers can make a profit

_____ B. the point at which the sellers can produce the lowest quantity for the highest price at which buyers are willing to pay

_____ C. the point at which the quantity buyers want to buy equals that which sellers want to sell

_____ D. the point at which the quantity buyers want to buy equals that which sellers want to sell, and the highest price at which buyers are willing to pay equals the lowest price sellers are willing to sell at

16. An oil company is expanding, but no new oil fields are available. They therefore must resort to the expensive and less-efficient practice of extracting petroleum from oil sands. This is known as __________.

_____ A. the principle of increasing marginal cost

_____ B. the principle of gross marginal utility

_____ C. the principle of diminishing marginal utility

_____ D. the principle of increasing marginal utility

17. When do prices in perfectly competitive markets drive resources away?

_____ A. when demand is high

_____ B. when demand is low

_____ C. when there is a surplus of resources

_____ D. when there is a shortage of resources

18. What is a characteristic of an oligopoly market?

_____ A. There are a relatively small number of firms controlling the market.

_____ B. There is only one seller, but other sellers can enter the market.

_____ C. There are many sellers, so new sellers cannot enter the market.

_____ D. There is only one seller, and new sellers cannot enter the market.

19. What is a horizontal merger?

_____ A. when a company unifies operations with its suppliers and distributors

_____ B. when a company joins with another company in another market to cross-sell their goods

_____ C. when two companies in the same market join together instead of competing

_____ D. when a company splits into two to better specialize in their markets

20. Which of the following is the term for a situation in which firms limit their output?

_____ A. market allocation

_____ B. bid rigging

_____ C. exclusive dealing arrangements

_____ D. manipulation of supply

21. What are the two main threats to the environment?

_____ A. first-world countries and capitalism

_____ B. first-world countries and overpopulation

_____ C. overpopulation and pollution

_____ D. pollution and resource depletion

22. The undesirable and unintended contamination of the environment because of the manufacture or use of commodities is commonly referred to as __________.

_____ A. resource depletion

_____ B. pollution

_____ C. degradation

_____ D. contamination

23. __________ refers to the consumption of finite or scarce resources.

_____ A. resource depletion

_____ B. pollution

_____ C. degradation

_____ D. contamination

24. The release of CFCs into the atmosphere may lead to several hundred thousand new cases of skin cancer each year and destroy many valuable food crops. Also, ocean plankton—on which the entire ocean's food chain depends—may be severely damaged. This is referred to as __________.

_____ A. resource depletion

_____ B. ozone depletion

_____ C. environment depletion

_____ D. contamination continuance

25. Acid rain is caused by __________.

_____ A. global warming

_____ B. fossil fuels

_____ C. airborne toxins

_____ D. none of the above

26. Because our environment is so complex and its parts are so interwoven, many theorists believe that our duty to protect the environment extends beyond the welfare of humans to other nonhuman parts of the system. This idea is called __________.

_____ A. ecological ethics or deep ecology

_____ B. conservation ethics

_____ C. survival ethics

_____ D. none of the above

27. The saving or rationing of natural resources for later use is referred to as __________.

_____ A. evolution

_____ B. ecology

_____ C. planned deletion

_____ D. conservation

28. How much do the needs of future generations affect current prices?

_____ A. They hardly affect current prices.

_____ B. They have some influence on current prices.

_____ C. Current prices are based upon the demand expected of future generations.

_____ D. They influence new market prices only.

29. Each human generates __________ of garbage each day.

_____ A. 45 pounds

_____ B. 14.5 pounds

_____ C. 4.5 pounds

_____ D. none of the above

Lesson 5

30. What is one reason why businesses were able to ignore their effects on the environment for so long?

_____ A. Businesses tend to view the effects of their activities as negligible and ignore them.

_____ B. Governments had no way to stop them.

_____ C. Businesses did not know they were polluting.

_____ D. Businesses used bribes for many years as incentives to government to ignore the effects.

31. What is the term for the view that protecting the environment is important because it harms human beings?

_____ A. ecocentrism

_____ B. anthropocentrism

_____ C. exocentrism

_____ D. biocentrism

32. Why should we protect the environment, according to ecological ethics?

_____ A. for our future generations to enjoy

_____ B. to prevent the depletion of our resources

_____ C. for the sake of the environment itself

_____ D. for the preservation of our species

33. What is the "safety standard" of pollution?

_____ A. when an environment is clean enough for all organisms that live in it

_____ B. when an environment is clean enough that it causes 3 deaths out of 10,000

_____ C. when an environment is clean enough to allow us to live healthy human lives

_____ D. no safety standard; all pollution is bad

34. What is Blackstone's theory of environmental rights?

_____ A. All organisms have a right to life, and we have a duty to protect their environment.

_____ B. Humans have a duty to ensure a livable environment because we each have a right to a livable environment.

_____ C. Environmental protection is necessary for the continuation of the species, and all other concerns are secondary.

_____ D. The only way to protect the environment is through political change.

35. What is the term for the cost an individual or company must pay out of their own pocket for an economic activity?

_____ A. private cost

_____ B. social cost

_____ C. economic cost

_____ D. associated cost

Lesson 5

36. What is the term for the sum total internal and external costs of an economic activity?

_____ A. private cost

_____ B. social cost

_____ C. economic cost

_____ D. associated cost

37. According to your textbook, what remedy for covering the external cost of pollution is the most fair and just?

_____ A. Make everyone pay a small amount to cover the costs.

_____ B. Internalize the costs of pollution.

_____ C. Shift production to a less populated area.

_____ D. Reduce production so that the external costs are lessened.

38. Ozone depletion is a serious threat to our survival; which gases are extremely harmful to the ozone layer?

_____ A. carbon dioxide

_____ B. nitrogen

_____ C. chlorofluorocarbons

_____ D. hydrocarbons

39. What is a good way for a business to determine the level of pollution control/removal?

_____ A. Survey public opinion to find out what people think is a good amount.

_____ B. Consult with environmental scientists to determine the effects of the pollution.

_____ C. Do a cost-benefit analysis to determine the cost of removal versus benefits of removal.

_____ D. Remove all pollution, because zero pollution is achievable with enough cost.

40. Which approach to pollution says that we should get rid of social systems of hierarchy and domination?

_____ A. ecofeminism

_____ B. ethic of care

_____ C. precautionary principle

_____ D. social ecology