Contemporary Business (Canadian) 4th edition Boone Test Bank

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CHAPTER 2

ECONOMIC CHALLENGES FACING BUSINESS TODAY

CHAPTER LEARNING OBJECTIVES

LO 2.1 Discuss microeconomics and explain the forces of demand and supply.
Microeconomics is the study of economic behaviour among individual consumers, families, and businesses. Together, their overall behaviour in the marketplace leads to the quantity of goods and services that are demanded and supplied at different prices. Demand is the willingness and ability of buyers to purchase goods and services at different prices. Several factors drive demand for a good or service: customer preferences, the number of buyers and their incomes, the prices of substitute goods, the prices of complementary goods, and consumer expectations about the future. Supply is the willingness and ability of businesses to offer products for sale at different prices. Supply depends on the cost of inputs and technology resources, taxes, and the number of suppliers in the market.

LO 2.2 Describe macroeconomics and issues that affect the entire economy.
Macroeconomics is the study of the broader economic picture. It looks at how an economic system maintains and divides up its resources. Macroeconomics focuses on how a government's monetary and fiscal policies affect the overall operation of an economic system.

The major economic systems are private enterprise systems, planned economies (such as communism or socialism), and mixed economies. In a private enterprise system, individuals and private businesses pursue their own interests without too much governmental restriction. Four basic types of competition take shape in a private enterprise system: pure competition, monopolistic competition, oligopoly, and monopoly. Pure competition is a market structure, such as the structure of small-scale agriculture. Large numbers of buyers and sellers exchange similar products, and no single participant has a large influence on price. Monopolistic competition is a market structure similar to the structure for retailing: Large numbers of buyers and sellers exchange distinct and differentiated (dissimilar) products, so each participant has some control over price. Oligopolies are market situations, such as the steel and airline industries, where just a few sellers compete. High start-up costs form barriers to keep out new competitors. In a monopoly, one seller controls trade in a good or service, and buyers can find no close substitutes.

In a planned economy, the government has stronger control over business ownership, profits, and the resources needed to accomplish governmental and societal goals, not goals set by individual firms. Socialism is one type of planned economic system where the government owns and operates the major industries. Communism is a planned economic system without private property. Under communism, goods are owned in common, and factors of production and production decisions are controlled by the state. A mixed market economy blends government ownership and private enterprise, drawing from both planned and private enterprise economies.

LO 2.3 Identify how to evaluate economic performance.

As productivity rises, an economy's growth increases and its citizens' wealth increases. In a recession, productivity stalls and may decline. Changes in general price levels—inflation or deflation—are important indicators of an economy's general stability. The Canadian government measures price level changes by using the Consumer Price Index. A nation's unemployment rate is an indicator of both overall stability and growth. The unemployment rate shows, as a percentage of the total labour force, the number of people actively seeking employment who are unable to find jobs

LO 2.4 Discuss managing the economy's performance.

Monetary policy is a government's plan to control the size of the nation's money supply. Increasing or decreasing the overall money supply can affect interest rates, which also affects borrowing and investment decisions. By changing the size of the money supply, a government can encourage growth or control inflation.
Fiscal policy involves decisions about government revenues and expenditures. Changes in government spending affect economic growth and employment levels in the private sector. A government must also raise money, through taxes or borrowing, to finance its spending. The taxes paid by individuals and businesses are funds that would have been spent on goods and services. Thus, any taxation changes also affect the overall economy.

LO 2.5 Describe the global economic challenges encountered by businesses today.

The annual World Economic Forum meeting identifies global risks in the following five categories: economic, environmental, geopolitical, societal, and technological. The top ten global economic challenges from the World Economic Forum's Global Risks Report are listed in Table 3.5.

TRUE-FALSE STATEMENTS

1. Economics deals only with the allocation of abundant resources by businesses.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply
Section Reference: Chapter overview
AACSB: Analytic

2. Decisions made by individuals and businesses have little impact on overall economic conditions.

Answer: False

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply
Section Reference: Chapter overview
AACSB: Analytic

3. Changes in overall government spending have a macroeconomic effect.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply
Section Reference: Chapter overview
AACSB: Analytic

4. Macroeconomics deals with taxing and spending decisions made by governments.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply
Section Reference: Chapter overview
AACSB: Analytic

5. Not-for-profit organizations must make economic decisions.

Answer: True

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply
Section Reference: Chapter overview
AACSB: Reflective Thinking

6. When a manager tries to predict prices and quantities that will be sold, they are dealing with microeconomics.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

7. Microeconomics and macroeconomics are interrelated.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

8. Supply refers to buyers' willingness and ability to purchase goods and services.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

9. Typically, the lower the price, the larger the quantity offered for sale.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

10. The graph showing the relationship between different prices and the quantity sellers offer for sale at each price is called a demand curve.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

11. Assume that incomes rise. In this instance, the demand curve for homes is likely to shift upward and to the left.

Answer: False

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

12. The price of gasoline rises sharply. One likely outcome is that the demand curve for hybrid vehicles should shift downward and to the left.

Answer: False

Bloomcode: Application
Difficulty: Hard
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

13. If demand for a product rises sharply, its price should decline and the quantity

supplied should increase.

Answer: False

Bloomcode: Application
Difficulty: Hard
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

14. If buyers' incomes increase, the demand curve for most products will shift to the left.

Answer: False

Bloomcode: Knowledge
Difficulty: Hard
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

15. Assume electric water heaters and gas water heaters are interchangeable, and assume the price of natural gas rises sharply relative to the price of electricity. The demand curve for gas water heaters should shift to the left.

Answer: True

Bloomcode: Application
Difficulty: Hard
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

16. The price of producing an item declines due to improved technology. The supply curve should shift to the left.

Answer: False

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

17. A typical demand curve slopes downward, which reflects that lower and lower prices

attract larger and larger amounts purchased.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

18. If the number of suppliers of a particular product increases, so should the quantity supplied, and the price should fall.

Answer: True

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

19. Assume the number of new home buyers suddenly increases. The demand curve for homes will likely shift upward and to the right.

Answer: True

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

20. Forces of nature, such as a hurricane, can affect the supply curve.

Answer: True

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

21. A long-term tax on a product is eliminated. The supply curve should shift upward and

to the right, and the price of that product will typically rise.

Answer: False

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

22. When the supply curve shifts to the left and the demand curve remains unchanged, the price for the product or service will fall.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

23. The equilibrium price occurs at the point of intersection between the supply and demand curves.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

24. In order to control the rising price of housing, the city council enacts rent controls. This mandated price is below the equilibrium price. Consequently, a shortage of housing may result.

Answer: True

Bloomcode: Application
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

25. If the equilibrium price is below the market price, a shortage of a good or service will likely result.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

26. A shortage will occur if the market price is below the equilibrium price.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

27. Equilibrium price refers to the intersection of the supply and demand curves.

Answer: True

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

28. The cost of the raw materials used to produce a product falls. The supply curve will likely shift down and to the left.

Answer: False

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

29. The equilibrium price is the same as the market price at which consumers are willing to buy the same quantity supplied by suppliers.

Answer: True

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

30. An increase in customer preferences will shift the demand curve to the right.

Answer: True

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

31. Capitalism also is referred to as a public enterprise system.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

32. Under a capitalistic system, the government tends to favour a “hands-off” attitude toward controlling business.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

33. No two countries have exactly the same economic system.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire

economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

34. Under pure competition, no single producer has a significant amount of control over price.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

35. Because there are only a few manufacturers of computer chips, the product is sold in the pure competition market.

Answer: False

Bloomcode: Application
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

36. Monopolistic competition differs from pure competition because sellers have some control over prices.

Answer: True

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

37. An oligopoly is a market situation where there are only a few sellers of a good or service.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.Section Reference: Macroeconomics: Issues for the Entire Economy

AACSB: Analytic

38. One example of an industry with high entry barriers is the airline industry.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

39. Giant oil companies such as BP (British Petroleum) and ExxonMobil are engaged in oligopoly competition.

Answer: True

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

40. Regulated monopolies are illegal in Canada.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

41. A pure monopoly often occurs in an industry with high entry barriers.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

42. In most of Canada, electric utilities operate as regulated monopolies.

Answer: True

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

43. Most communist systems allow private ownership of less critical industries.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

44. In recent years, China has been moving from communism toward a more market-oriented economy.

Answer: True

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

45. Socialism is one of the four market structures found in a private enterprise system.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

46. Under socialism, there is no private property.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

47. The government owns the railroads, utilities, energy companies, and financial institutions. Ownership of small businesses is in private hands. This is an example of socialism.

Answer: True

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

48. A country with a “mixed economy” is a combination of the private enterprise system and a planned economy.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

49. In a mixed economy, public enterprises are expected to lose money.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

50. In a mixed economy, private firms do NOT compete with public enterprises.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

51. The private enterprise system and the mixed market economy are the same.

Answer: False

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

52. To determine its productivity level, a country can divide the output (goods and services produced in an economic system within a specific period) by the input (the resources used to produce that output).

Answer: True

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

53. Canada has experienced several economic depressions since the 1930s.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

54. Economic growth leads to expanded job opportunities, improved wages, and an increased standard of living.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

55. Rising unemployment and reduced customer purchases may indicate that the economy is headed into a recession.

Answer: True

Bloomcode: Application
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Reflective Thinking

56. In the recovery stage of the business cycle, the economy emerges from recession.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

57. During a recession, business spending falls, but consumer spending remains relatively unchanged.

Answer: False

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Reflective Thinking

58. Increased purchases of discretionary items, such as cars and vacations, are common during periods of recession.

Answer: False

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance

AACSB: Reflective Thinking

59. If productivity rises, profits and wages can rise without inflation.

Answer: True

Bloomcode: Application
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Reflective Thinking

60. Gross domestic product (GDP) is the sum of all goods and services produced within a nation's borders each year.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

61. The core inflation rate includes the prices of all goods and services.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Identify how to evaluate economic performance.Section Reference: Evaluating Economic Performance
AACSB: Analytic

62. Inflation benefits borrowers with fixed-rate mortgages.

Answer: True

Bloomcode: Application
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Reflective Thinking

63. Because energy and food prices fluctuate excessively from month to month, the Consumer Price Index (CPI) excludes these two variables.

Answer: False

Bloomcode: Application
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Reflective Thinking

64. Deflation is ideal for consumers and strengthens a nation’s economy.

Answer: False

Bloomcode: Application
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Reflective Thinking

65. Cyclical unemployment occurs when the economy slows down and high-performing employees, for example, are laid off.

Answer: True

Bloomcode: Application
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Reflective Thinking

66. During recessions, both cyclical and seasonal unemployment rise.

Answer: False

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

67. Andrew has a construction job in the Calgary area. During the winter, he is cyclically unemployed and looks for other work until the spring.

Answer: False

Bloomcode: Application
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.

Section Reference: Evaluating Economic Performance
AACSB: Reflective Thinking

68. Individuals who lose their jobs due to structural reasons are generally unemployed for long periods.

Answer: True

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

69. The business cycle provides an indication of economic health of an economy.

Answer: True

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

70. Real gross domestic product (GDP) accounts for the changes in prices and currency values.

Answer: True

Bloomcode: Knowledge
Difficulty: Hard
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Reflective Thinking

71. Restrictive monetary policy reduces the money supply to curb rising prices.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss managing the economy's performance.
Section Reference: Managing the Economy's Performance
AACSB: Analytic

72. When the Bank of Canada increases interest rates, it will cost more to borrow

money.

Answer: True

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss managing the economy's performance.
Section Reference: Managing the Economy's Performance
AACSB: Reflective Thinking

73. In Canada, monetary policy is largely controlled by the House of Commons.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss managing the economy's performance.
Section Reference: Managing the Economy's Performance
AACSB: Reflective Thinking

74. Assume that the Bank of Canada uses its available tools to push down interest rates. Economic activity should increase as a result.

Answer: True

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss managing the economy's performance.
Section Reference: Managing the Economy's Performance
AACSB: Reflective Thinking

75. Fiscal policy is used primarily to increase or decrease interest rates.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss managing the economy's performance.
Section Reference: Managing the Economy's Performance
AACSB: Analytic

76. Lowering taxes is an example of fiscal policy.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy

Learning Objective: Discuss managing the economy’s performance.
Section Reference: Managing the Economy’s Performance
AACSB: Analytic

77. Fiscal policy is used to increase or decrease the money supply, as well as change banking requirements and interest rates.

Answer: False

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss managing the economy’s performance.
Section Reference: Managing the Economy’s Performance
AACSB: Analytic

78. The Bank of Canada can implement both expansionary and restrictive monetary policies.

Answer: True

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss managing the economy’s performance.
Section Reference: Managing the Economy’s Performance
AACSB: Analytic

79. Assume that the federal government raises taxes in order to balance its budget. This action will tend to slow the rate of economic growth.

Answer: True

Bloomcode: Application
Difficulty: Hard
Learning Objective: Discuss managing the economy’s performance.
Section Reference: Managing the Economy’s Performance
AACSB: Reflective Thinking

80. The government uses fiscal policy to make decisions about increasing or decreasing the supply of money in the country. Monetary policy, on the other hand, is used by the government to make spending and taxation decisions.

Answer: False

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss managing the economy’s performance.
Section Reference: Managing the Economy’s Performance

AACSB: Analytic

81. An expansionary monetary policy increases the supply of money in the system, but a restrictive policy reduces the supply of money in the system to control rising prices.

Answer: True

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss managing the economy's performance.
Section Reference: Managing the Economy's Performance
AACSB: Analytic

82. As the economies of countries around the globe become increasingly interconnected, governments and businesses must compete worldwide.

Answer: True

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges
AACSB: Analytic

83. Unmanageable inflation increases the price levels of goods in all economies.

Answer: False

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges
AACSB: Reflective Thinking

84. A slowdown in China's economy is the problem of the Chinese government and the Chinese people. Other countries need NOT worry about the economic situation in other countries.

Answer: False

Bloomcode: Application
Difficulty: Hard
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges

AACSB: Analytic

85. Global trade is risky and should only be considered as a last resort.

Answer: False

Bloomcode: Application
Difficulty: Easy
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges
AACSB: Reflective Thinking

86. Canada has a small portion of the world's population. If a Canadian company seeks growth, it must expand globally.

Answer: True

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges
AACSB: Reflective Thinking

87. Companies seeking advantages in cost savings by utilizing global suppliers must carefully examine product quality to ensure it meets domestic standards.

Answer: True

Bloomcode: Application
Difficulty: Hard
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges
AACSB: Analytic

88. The economies of every country are independent.

Answer: False

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges

AACSB: Analytic

MULTIPLE CHOICE QUESTIONS

89. Which of the following fields is concerned with understanding the choices people make in using scarce resources?
a) statistics
b) psychology
c) accounting
d) economics

Answer: d

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Chapter overview
AACSB: Analytic

90. The study of macroeconomics is ______.
a) not related to microeconomics
b) primarily concerned with individual businesses and decisions
c) concerned with studying a country's overall economic issues
d) not related to government decisions concerning spending and taxes

Answer: c

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Chapter overview
AACSB: Analytic

91. Williams & Co. management is trying to decide the appropriate prices for various products sold by the firm. This is a focus of ______.
a) microeconomics
b) macroeconomics
c) fiscal policy
d) monetary policy

Answer: a

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Chapter overview

AACSB: Analytic

92. _______ is the study of the economic choices of individual consumers, families, or businesses.
a) Macroeconomics
b) Microeconomics
c) Entrepreneurship
d) Consumer behaviour

Answer: b

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

93. Individual and business decisions are _______ by economic conditions, and, in turn, economic conditions are _______ by their decisions.
a) affected; not affected
b) affected; affected
c) not affected; not affected
d) not affected; affected

Answer: b

Bloomcode: Application
Difficulty: Hard
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

94. In general, as the price of a good or service increases, the quantity demanded
a) increases.
b) decreases.
c) stays the same.
d) depends on the type of product or service.

Answer: b

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

95. Hailey's research firm was hired by a discount superstore to provide a detailed evaluation regarding consumer preferences. Hailey's analysis involves the study of ______.
a) economics
b) private enterprise system
c) microeconomics
d) macroeconomics

Answer: c

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

96. The willingness and ability of sellers to provide goods and services for sale in a market is referred to as ______.
a) supply
b) the equilibrium price
c) microeconomics
d) demand

Answer: a

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

97. ______ refers to the willingness and ability of buyers to purchase goods and services.
a) Consumer behaviour
b) Customer preference
c) Supply
d) Demand

Answer: d

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply

AACSB: Analytic

98. If the number of buyers decreases, the demand curve will shift to the _______ and the price will _______.
a) right; fall
b) left; fall
c) right; rise
d) left; rise

Answer: b

Bloomcode: Application
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

99. If buyers' incomes increase, the demand curve will shift to the _______ and the price will _______.
a) right; fall
b) left; fall
c) right; rise
d) left; rise

Answer: c

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

100. If the prices of substitute goods decrease, the demand curve will shift to the _______ and the price will _______.
a) right; fall
b) left; fall
c) right; rise
d) left; rise

Answer: b

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply

AACSB: Reflective Thinking

101. A demand curve will shift to the left if the ______.
a) number of buyers increases
b) buyers' incomes decrease
c) future expectations become more optimistic
d) prices of substitute goods increase

Answer: b

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

102. The curve that shows the relationship between different prices and the quantity requested at each price is the ______ curve.
a) equilibrium
b) supply
c) buying
d) demand

Answer: d

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

103. Which of the following statements about demand curves is true?
a) When the price rises, demand increases.
b) When the price falls, demand decreases.
c) When the price falls, demand increases.
d) When the price falls, supply increases.

Answer: c

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

104. A demand curve is the schedule that shows the relationship between the price of a product and ______.
a) overhead costs
b) the costs of marketing the product
c) the quantity of that product that buyers demand at that price
d) the quantity supplied at each price

Answer: c

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

105. Which of the following factors will NOT result in a shift in the supply curve?
a) change in the number of suppliers
b) change in the price of substitute goods
c) cost savings resulting from new technology
d) change in the costs of labour

Answer: b

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

106. All of the following can shift the demand curve to either the right or left EXCEPT ______.
a) change in the cost of inputs
b) change in the number of buyers
c) change in the income of buyers
d) buyers' attitudes about the future

Answer: a

Bloomcode: Knowledge
Difficulty: Hard
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

107. An increase in consumers' incomes causes the ______.
a) supply curve to shift to the right
b) demand curve to shift to the right
c) supply curve to shift to the left
d) demand curve to shift to the left

Answer: b

Bloomcode: Application
Difficulty: Hard
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

108. A supply curve is a(n) ______.
a) upward sloping curve
b) downward sloping curve
c) vertical line
d) horizontal line

Answer: a

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

109. According to a supply curve, ______.
a) as prices rise, quantity of a product supplied falls
b) as prices fall, quantity of a product supplied increases
c) as prices rise, consumers will buy in larger quantities
d) as prices rise, the quantity of a product that is supplied also rises

Answer: d

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

110. If the cost of producing a good or service increases, the supply curve will shift to the ______, and the price will ______.
a) right; fall

b) right; rise
c) left; fall
d) left; rise

Answer: d

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

111. As the number of suppliers of a product increases, the supply curve shifts to the ______, and the price will ______.
a) right; fall
b) right; rise
c) left; fall
d) left; rise

Answer: a

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

112. Assume the price of gasoline triples. What will likely happen to the demand for small cars? The demand curve will shift to the ______, and demand will ______.
a) left; decrease
b) left; increase
c) right; decrease
d) right; increase

Answer: d

Bloomcode: Application
Difficulty: Hard
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

113. The equilibrium price is established when the quantity ______.
a) purchased is equal to the quantity offered
b) supplied is equal to the amount of raw materials available

c) bought is equal to the quantity demanded
d) demanded is equal to the quantity supplied at a lower price

Answer: a

Bloomcode: Knowledge
Difficulty: Hard
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

114. If the market price is above the equilibrium price, ______.
a) the equilibrium price will permanently rise to a new level
b) consumers will go on strike and not purchase any of the product
c) the demand curve will shift to the right causing the surplus to go away
d) producers and consumers will make choices that restore the equilibrium level

Answer: d

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

115. A surplus will occur when ______.
a) production quantities are falling
b) price is above the equilibrium point
c) price is below the equilibrium point
d) the demand curve is shifting to the right

Answer: b

Bloomcode: Application
Difficulty: Hard
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

116. A shortage will occur when ______.
a) production quantities are rising
b) prices are falling
c) prices are below the equilibrium point
d) the demand curve is shifting to the left

Answer: c

Bloomcode: Application
Difficulty: Hard
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

117. Supply and demand can be used to correct a shortage by ______.
a) reducing the product price to decrease production
b) raising the price to decrease production
c) keeping the price the same but decreasing production
d) raising the price to increase production

Answer: d

Bloomcode: Application
Difficulty: Hard
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

118. Holding supply constant and decreasing demand will cause ______.
a) prices to rise and production to fall
b) prices to fall and production to rise
c) prices and production both to fall
d) prices and production both to rise

Answer: c

Bloomcode: Application
Difficulty: Hard
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

119. When there's a shortage of products and services on the market, demand will increase more than supply. This will cause prices to
a) go down.
b) go up.
c) stay the same.
d) change.

Answer: b

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

120. If the price of Coke decreases and that of Pepsi stays the same, the demand curve for Pepsi will shift to the ______, and the price will ______.
a) right; fall
b) right; rise
c) left; fall
d) left; rise

Answer: c

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

121. Demand is not driven by ______.
a) price
b) government regulations
c) consumer preferences
d) the economy

Answer: b

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

122. The three major types of economic systems are ______.
a) capitalism, planned economies, and mixed economies
b) capitalism, pure competition, and planned economies
c) capitalism, monopoly, and mixed economies
d) capitalism, oligopoly, and planned economies

Answer: a

Bloomcode: Knowledge
Difficulty: Hard

Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

123. Most industrialized nations operate economies based on ______.
a) planned economies
b) private enterprise systems
c) communist systems
d) socialist systems

Answer: b

Bloomcode: Knowledge
Difficulty: Hard
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

124. Entrepreneurs have the most economic freedom in which type of economy?
a) communism
b) socialism
c) capitalism
d) mixed economy

Answer: c

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

125. Incentives to motivate employees to perform at their highest level are strongest in ______ systems.
a) capitalist
b) communist
c) socialist
d) monopolistic

Answer: a

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.

Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

126. Which of the following is considered to be the best example of pure competition in today's business environment?
a) agriculture
b) the airline industry
c) the electric and gas utility industries
d) Major League Baseball

Answer: a

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

127. A particular industry has many competitors, each of whom has little control over price. In addition, it is fairly easy to enter the industry. This industry is an example of ______.
a) pure competition
b) monopolistic competition
c) an oligopoly
d) a pure monopoly

Answer: a

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

128. Monopolistic competition has ______.
a) only one seller
b) many buyers and sellers, none of whom can control prices
c) only a few sellers
d) many buyers and sellers, and the sellers have some control over price

Answer: d

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.

Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

129. Consumers can choose from hundreds of different kinds and producers of cheese, each with a slightly different flavour and texture and price. This type of market structure is known as ______.
a) pure competition
b) monopolistic competition
c) a monopoly
d) an oligopoly

Answer: b

Bloomcode: Application
Difficulty: Hard
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

130. The four different types of market structure in a private enterprise system are ______.
a) communism, socialism, capitalism, and mixed systems
b) pure competition, monopolistic competition, oligopoly, and monopoly
c) socialism, oligopoly, monopoly, and pure competition
d) mixed, socialism, communism, and pure competition

Answer: b

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

131. A particular industry has only a few competitors, who have at least some control over price. Entry into the industry is difficult. This industry is an example of ______.
a) pure competition
b) monopolistic competition
c) an oligopoly
d) a pure monopoly

Answer: c

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire

economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

132. Which of the following market structures best describes the Canadian auto industry?
a) monopoly
b) pure competition
c) monopolistic competition
d) oligopoly

Answer: d

Bloomcode: Application
Difficulty: Hard
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

133. There is no direct competition in a particular industry, yet the firms have almost no control over pricing. This industry is an example of ______.
a) monopolistic competition
b) a regulated monopoly
c) an oligopoly
d) a pure monopoly

Answer: b

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

134. Control over price by individual firms is highest in a(n) ______.
a) regulated monopoly
b) oligopoly
c) pure monopoly
d) monopolistically competitive industry

Answer: c

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.

Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

135. Barriers to entry into an industry are highest in ______.
a) pure competition
b) an oligopoly
c) a monopoly
d) monopolistic competition

Answer: c

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

136. Which of the following best describes most provincial power companies in Canada?
a) pure monopoly
b) oligopoly
c) monopolistic competition
d) regulated monopoly

Answer: d

Bloomcode: Application
Difficulty: Hard
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

137. Before the patent expired on allergy medicine Claritin, pharmaceutical company Schering-Plough was able to set its own price in the marketplace. From which type of competition did the company benefit?
a) oligopoly
b) pure competition
c) monopolistic competition
d) monopoly

Answer: d

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy

AACSB: Reflective Thinking

138. ______ is an economic system in which private property is eliminated.
a) socialism
b) capitalism
c) monopoly
d) communism

Answer: d

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

139. Under communism, ______.
a) businesses are owned by individuals
b) management represents the owners
c) there is minimal government interference
d) profits are not acceptable, and the right to choose one's occupation is widely restricted

Answer: d

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

140. In a ______ system, the government owns all of the nation's major industries but still allows private ownership in less crucial areas.
a) communism
b) socialism
c) capitalism
d) mixed economy

Answer: b

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

141. In a particular country, the government owns all the transportation companies, utilities, energy suppliers, and major manufacturing firms. Small businesses are privately owned. What type of economic system does this country have?
a) communism
b) socialism
c) capitalism
d) mixed economy

Answer: b

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

142. ______ has a blend of both planned and private enterprise systems.
a) Capitalism
b) Communism
c) A mixed market economy
d) A private government economy

Answer: c

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

143. A country has a strong private sector, along with publicly owned enterprises. Entrepreneurs and private-sector investors are entitled to profits, after taxes, and even state-owned enterprises are expected to at least break even. What type of economic system does this country have?
a) capitalism
b) communism
c) socialism
d) mixed economy

Answer: d

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.

Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

144. The conversion of the postal service from government-owned and operated into privately held businesses would be an example of ______.
a) deregulation
b) pure competition
c) regulated monopolies
d) privatization

Answer: d

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

145. The airplane manufacturing industry has few large competitors who have some control over price. Entry into the industry is difficult. This type of industry is known as a(n) ______.
a) perfect competition
b) monopoly
c) monopolistic competition
d) oligopoly

Answer: d

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

146. The Ontario Energy Board has been given the right to set electricity and natural gas prices in the province. This is an example of a(n)______________.
a) monopoly.
b) oligopoly.
c) perfect competition.
d) regulated monopoly.

Answer: d

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire

economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

147. Under ________, entrepreneurs may receive all company profits while under ______, no profits are allowed.
a) capitalism, socialism
b) capitalism, communism
c) socialism, communism
d) socialism, mixed economy

Answer: b

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

148. During an economic recession, consumer spending ______ and unemployment ______.
a) increases; increases
b) increases; decreases
c) decreases; increases
d) decreases; decreases

Answer: c

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

149. Consumers often turn to lower-priced retailers for the goods they need during a business cycle of ______.
a) recession
b) recovery
c) prosperity
d) depression

Answer: a

Bloomcode: Application
Difficulty: Hard
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance

AACSB: Reflective Thinking

150. ______ is the relationship between the goods and services produced in a nation each year and workers, raw materials, and other inputs necessary to produce them.
a) GDP (gross domestic product)
b) Per capita income
c) Prosperity
d) Productivity

Answer: d

Bloomcode: Application
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.Section Reference: Evaluating Economic Performance
AACSB: Analytic

151. Many of the gains in Canadian productivity can be attributed to ______.
a) deflation
b) budget surplus
c) a steady Consumer Price Index
d) technology

Answer: d

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Technology

152. ______ is a commonly used measure of productivity.
a) GDP (gross domestic product)
b) Prosperity
c) The business cycle
d) The average wage

Answer: a

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

153. The sum of all goods and services produced within a nation's boundaries each year is the ______.

a) Gross National Index
b) Producer Price Index
c) Global market indicator
d) Gross domestic product

Answer: d

Bloomcode: Knowledge
Difficulty: Hard
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

154. ______ is caused by increases in the prices of raw materials and other factors of production.
a) The Consumer Price Index (CPI)
b) Demand-pull inflation
c) Cost-push inflation
d) A recession

Answer: c

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

155. Assume that the number of people wanting to buy homes increases sharply in your local area. The price of homes will likely ______, which is an example of ______.
a) increase; cost-push inflation
b) decrease; cost-push inflation
c) increase; demand-pull inflation
d) decrease; demand-pull inflation

Answer: c

Bloomcode: Application
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.Section Reference: Evaluating Economic Performance
AACSB: Reflective Thinking

156. ______ provides a running measure of consumer price changes.
a) The Consumer Price Index (CPI)
b) Devaluation
c) Per capita income
d) The Producer Price Index (PPI)

Answer: a

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.Section Reference: Evaluating Economic Performance
AACSB: Analytic

157. Economists refer to a nation's ______ as an indicator of its economic health.
a) Consumer Price Index
b) inflation rate
c) recession rate
d) unemployment rate

Answer: d

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

158. The four types of unemployment are ______.
a) recessional, inflation, frictional, and cyclical
b) inflation, frictional, cyclical, and structural
c) recessional, frictional, cyclical, and structural
d) frictional, cyclical, structural, and seasonal

Answer: d

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

159. Kim graduated from college in May and is looking for a job. She is ______ unemployed.
a) structurally
b) cyclically
c) seasonally
d) frictionally

Answer: d

Bloomcode: Knowledge
Difficulty: Medium

Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

160. Benito worked as a manager at a grocery chain that recently experienced a number of layoffs due to an economic slow time. Benito's employment would be described as ______.
a) structural
b) cyclical
c) frictional
d) seasonal

Answer: b

Bloomcode: Application
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Reflective Thinking

161. Which type of unemployment typically lasts the longest?
a) structural
b) cyclical
c) seasonal
d) frictional

Answer: a

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

162. The four stages of a business cycle are
a) prosperity, recession, depression, and recovery.
b) deflation, recession, recovery, and prosperity.
c) prosperity, inflation, recession, and recovery.
d) deflation, prosperity, recession, and recovery.

Answer: a

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

163. The preferred method of calculating gross domestic product (GDP) uses the ________ measure.
a) currency value
b) U.S. exchange rate
c) purchasing power parity exchange rates
d) domestic currency rate

Answer: c

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Reflective Thinking

164. Monetary policy ______.
a) uses interest rate variations and availability of funds to influence the nation's economy
b) is of limited use in controlling inflation
c) is of little use in expanding business spending
d) frequently causes taxes to rise

Answer: a

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss managing the economy's performance.
Section Reference: Managing the Economy's Performance
AACSB: Analytic

165. In Canada, ______ is responsible for monetary policy.
a) the Federal Reserve System
b) parliament
c) the Bank of Canada governor
d) the pPrime minister

Answer: c

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Discuss managing the economy's performance.Section Reference: Managing the Economy's Performance
AACSB: Analytic

166. Business borrowing becomes more difficult when ______.
a) the federal government increases spending
b) the federal government decreases spending
c) the Bank of Canada increases the money supply

d) the Bank of Canada decreases the money supply

Answer: d

Bloomcode: Application
Difficulty: Easy
Learning Objective: Discuss managing the economy’s performance.
Section Reference: Managing the Economy’s Performance
AACSB: Reflective Thinking

167. The purpose of a restrictive monetary policy is to
a) stimulate spending.
b) reduce the cost of borrowing.
c) stimulate employment.
d) curb rising prices and overexpansion.

Answer: d

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss managing the economy’s performance.
Section Reference: Managing the Economy’s Performance
AACSB: Reflective Thinking

168. The two major policy tools available for controlling economic activity are ______.
a) tax and spending policies
b) monetary and fiscal policies
c) interest rate and credit policies
d) interest rate and taxing policies

Answer: b

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss managing the economy’s performance.
Section Reference: Managing the Economy’s Performance
AACSB: Reflective Thinking

169. The Bank of Canada reduces the amount of money banks can lend. As a result, interest rates will ______ and economic growth will ______.
a) increase; increase
b) fall; fall
c) fall; increase
d) increase; fall

Answer: d

Bloomcode: Application

Difficulty: Medium
Learning Objective: Discuss managing the economy’s performance.
Section Reference: Managing the Economy’s Performance
AACSB: Reflective Thinking

170. Fiscal policy ______.
a) reduces the money supply
b) increases the money supply
c) always results in increasing the national debt
d) can be used to increase economic activity

Answer: d

Bloomcode: Knowledge
Difficulty: Hard
Learning Objective: Discuss managing the economy’s performance.
Section Reference: Managing the Economy’s Performance
AACSB: Analytic

171. By changing ______, the Bank of Canada can expand or shrink funds available to lend.
a) taxes
b) spending
c) fees charged on household and business checking and savings accounts
d) interest rates

Answer: d

Bloomcode: Application
Difficulty: Hard
Learning Objective: Discuss managing the economy’s performance.
Section Reference: Managing the Economy’s Performance
AACSB: Reflective Thinking

172. Concerning a balanced budget, all of the following statements are correct EXCEPT
a) a balanced budget does not mean an end to the federal debt.
b) balanced budgets can result in higher taxes for citizens which can slow economic growth.
c) balanced budgets will result in lower interest rates to all private borrowers.
d) a balanced budget is achieved when all tax receipts equal all spending in a particular year.

Answer: c

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss managing the economy’s performance.
Section Reference: Managing the Economy’s Performance

AACSB: Reflective Thinking

173. The Bank of Canada slows the growth in the supply of money and credit. Interest rates will likely ______, which is an example of ______ policy.
a) rise; fiscal
b) fall; fiscal
c) rise; monetary
d) fall; monetary

Answer: c

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss managing the economy’s performance.
Section Reference: Managing the Economy’s Performance
AACSB: Reflective Thinking

174. The federal government raises corporate income tax rates in order to reduce the budget deficit. This change will likely ______ economic activity, which is an example of ______ policy.
a) decrease; monetary
b) increase; monetary
c) increase; fiscal
d) decrease; fiscal

Answer: d

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss managing the economy’s performance.
Section Reference: Managing the Economy’s Performance
AACSB: Reflective Thinking

175. A balanced budget occurs when ______.
a) all of the national debt is repaid
b) taxes, fees, and borrowings are equal to government spending for the year
c) taxes and fees equal all government spending except for capital expenditures
d) all federal taxes and fees equal all federal government spending

Answer: b

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss managing the economy’s performance.
Section Reference: Managing the Economy’s Performance
AACSB: Reflective Thinking

176. Which of the following could developing countries do, in order to order to promote growth in their economies?
a) Reduce taxes.
b) Remove trade barriers.
c) Plan for new business start-ups.
d) All of the above will promote economic growth.

Answer: d

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss managing the economy's performance.
Section Reference: Managing the Economy's Performance
AACSB: Analytic

177. The main sources of funds to pay for the government's budget are taxes, fees charged by the government and ______.
a) donations
b) government borrowings
c) international donations
d) government sponsorships

Answer: b

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss managing the economy's performance.
Section Reference: Managing the Economy's Performance
AACSB: Analytic

178. The risks of global business include all of the following EXCEPT
a) economic.
b) geopolitical.
c) societal.
d) demographics.

Answer: d

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges
AACSB: Analytic

179. High ________ unemployment is a global economic challenge.
a) frictional
b) structural

c) seasonal
d) cyclical

Answer: b

Bloomcode: Knowledge
Difficulty: Easy
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges
AACSB: Analytic

180. Global economic challenges do not include __________.
a) economic variation between countries
b) overpriced assets
c) deflation
d) infrastructure

Answer: a

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges
AACSB: Analytic

181. All of the following are key global economic risks facing businesses EXCEPT _____.
a) failure of critical infrastructure
b) high structural unemployment
c) the surplus of college graduates
d) illicit trade

Answer: c

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges
AACSB: Analytic

182. Illicit trade includes all of the following EXCEPT ____.
a) collusion
b) tax evasion
c) counterfeiting

d) organized crime

Answer: a

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges
AACSB: Analytic

183. _______ is a disadvantage in global trade.
a) The possibility of poor quality products and services from one nation to another
b) The possibility of reducing cost when companies use cheap labour in overseas operations
c) Fostering international relations
d) Hiring experts from different parts of the world to work in companies

Answer: a

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges
AACSB: Analytic

184. A _____ firm operates manufacturing plants and other facilities around the world.
a) international
b) expansionary
c) interregional
d) multinational

Answer: d

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges
AACSB: Analytic

MATCHING QUESTIONS

185. Complete the following using the terms listed below:

a)	Consumer Price Index (CPI)
b)	inflation
c)	gross domestic product (GDP)
d)	fiscal policy
e)	monetary policy
f)	equilibrium price
g)	budget deficit
h)	pure competition
i)	supply
j)	demand
k)	productivity
l)	recession
m)	microeconomics
n)	oligopoly
o)	monopoly

1. The study of small economic units, such as individual consumers, families, and businesses, is called ______.

2. The amount of goods and services available at various prices is known as ______.

3. The point where the supply and demand curves meet is the _____.

4. _____ refers to the willingness and ability of buyers to purchase goods and services at various prices.

5. A(n) _____ is characterized by relatively few sellers and barriers to entry due to high start-up costs.

6. In a(n) _____, a single seller dominates trade in a product for which buyers can find no close substitute.

7. _____ measures the monthly average change in prices of goods and services.

8. Price increases that reduce the amount of goods and services people can purchase with a given amount of money are the result of ______.

9. _____ is the sum of all goods and services produced within a country's borders.

10. During a(n) _____, consumers frequently postpone major purchases and shift buying patterns toward basic, functional products carrying low prices.

11. _____ is a market structure characterized by a large number of buyers and sellers exchanging relatively homogenous products, with no single participant having a significant influence on price.

12. _____ is the relationship between the goods and services produced in a nation each year and the inputs needed to produce them.

13. Attempting to bring about changes in economic activity through changes in the size of the nation's money supply is called _____.

14. If the government spends more than it collects in taxes, then a(n) _____ occurs.

15. The use of government tax and spending policies to bring about desired changes in the economy is called _____.

ANSWERS TO MATCHING QUESTIONS

1. Answer: m

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

2. Answer: i

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

3. Answer: f

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

4. Answer: j

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

5. Answer: n

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy

AACSB: Analytic

6. Answer: o

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

7. Answer: a

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

8. Answer: b

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

9. Answer: c

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

10. Answer: l

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

11. Answer: h

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

12. Answer: k

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

13. Answer: e

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Managing the Economy’s Performance
AACSB: Analytic

14. Answer: g

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Managing the Economy’s Performance
AACSB: Analytic

15. Answer: d

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Managing the Economy’s Performance
AACSB: Analytic

ESSAY QUESTIONS

186. What is economics? Why is understanding economics important in your life?

Answer: Economics is a social science that analyzes the choices made by people and governments in the allocation of scarce resources. Individuals make economic decisions every day when they decide what to buy, what services to use, and so forth. Businesses also make economic decisions when they choose how to use human and natural resources, invest in machinery and buildings, and form partnerships with other firms. The choices made by individuals and businesses are affected by economic conditions, and, in turn, their decisions affect economic conditions.

Bloomcode: Application
Difficulty: Easy
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply

AACSB: Reflective Thinking

187. Differentiate between macroeconomics and microeconomics. What types of economic activities might be included in each category?

Answer: Macroeconomics deals with the economy as a whole, whereas microeconomics is concerned with the economic activities of individual consumers, families, and businesses. Macroeconomics activities might include economic policies of individual nations and the ways in which those individual policies affect the overall world economy. Microeconomics activities might include shopping for groceries, subscribing to a cell phone service, paying college tuition, or filling your car's tank with gas.

Bloomcode: Application
Difficulty: Hard
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

188. List the factors that should cause a demand curve to shift to the right.

Answer: The factors are an increase in customer preferences, increase in the number of buyers, increase in buyers' incomes, increase in the prices of substitute goods, decrease in the price of complementary goods, and more optimistic expectations concerning the future.

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and

supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

189. List the factors that should cause a supply curve to shift to the left.

Answer: The factors are an increase in the cost of inputs, an increase in the cost of technologies, an increase in taxes, and a decrease in the number of suppliers.

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

190. Explain how the interaction of supply and demand will correct a surplus or shortage.

Answer: If there is a surplus, the price is too high. When price starts to fall, more units will be purchased, and fewer units will be produced. This will eliminate the surplus. If the price is too low, a shortage will exist, causing prices to rise. The increase in price will cause fewer sales and more units to be produced, eliminating the surplus.

Bloomcode: Application
Difficulty: Hard
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

191. List the four factors of production. How would an increase in the cost of purchasing land impact supply?

Answer: The four factors of production are natural resources, human resources, capital, and entrepreneurship. If the cost of land increases, a company might not be able to purchase a site for a more efficient manufacturing plant. This would lower production levels, shifting the supply curve to the left.

Bloomcode: Application
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

192. Mention and explain at least three other determinants that could cause changes in demand, besides price.

Answer: Changes in prices impact the quantity demanded of a product or service, since consumers like to buy more at low prices and less at high prices. However, when price remains constant, other determinants could cause changes in demand. Some of these factors are:
Changes in the number of buyers,
Changes in buyers' incomes,
Prices of substitute goods,
Customer preferences and prices of complementary goods.

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Analytic

193. Changes along the supply curve occur when prices of goods and services change. The higher the price, the higher the quantity supplied. The entire curve could also move to the left or right depending on certain factors besides price. Under what circumstances will the curve move to the left or right?

Answer: The supply curve will move to the right when:
cost of inputs decrease,
cost of technologies decrease,
taxes decrease, or
the number of suppliers increase.
Alternatively, the supply curve will move to the left when:
cost of inputs increase,
cost of technologies decrease,
taxes increase, or
the number of suppliers decrease.

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Microeconomics: The Forces of Demand and Supply
AACSB: Reflective Thinking

194. Distinguish between the demand curve and the supply curve.

Answer: The demand curve is a graph of the amount of a product that buyers will purchase at various prices. Demand curves typically slope downward. The supply curve shows the relationship between various prices and the quantities that sellers will offer for sale, regardless of demand.

Bloomcode: Application
Difficulty: Hard

Learning Objective: Discuss microeconomics and explain the forces of demand and supply.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

195. Describe how worker incentives vary in each of the four economic systems.

Answer: In a capitalist system, considerable incentives exist to motivate people to perform at their highest levels. Most communist systems traditionally had little in the way of worker incentives, although some are beginning to emerge. In a socialist economy, incentives are limited in state enterprises but do exist in privately owned firms. In a mixed economy, capitalist-style incentives operate in the private sector. Worker incentives are more limited in the public sector.

Bloomcode: Application
Difficulty: Hard
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

196. Differentiate between a monopoly and an oligopoly in the private enterprise system.

Answer: A monopoly is a market structure with a single seller. A pure monopoly is a firm that has such unique characteristics that no other firm can enter the market successfully. The Canadian government also makes most pure monopolies illegal by passing antitrust legislation such as the Competition Act. An oligopoly is a market structure in which relatively few sellers compete. High start-up costs create barriers to keep out new competitors.

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

197. Describe the major differences between socialism and a mixed economic system.

Answer: In a socialist economy, the government owns industries that are considered to be of vital importance, such as energy firms, major manufacturing firms, and transportation systems. Socialist countries allow limited private ownership of small businesses and industries that are not considered to be as vital. In a mixed economy, a strong private sector exists. It is much larger than the private sector in a socialist economy. In a mixed economy, some public enterprises operate as well. The rights to profits are stronger in a mixed economy, and even public enterprises are expected to at least break even. Worker incentives also are stronger in a mixed economy than they are in a socialist economy.

Bloomcode: Application
Difficulty: Hard
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Reflective Thinking

198. Explain the mixed market economy and mention three vital services controlled by the government in the Canadian mixed market system.

Answer: A mixed market economic system is one that combines the planned and the private enterprise system. This means that the government does not fully control the ownership and distribution of the factors of production, but provides the regulatory environment which encourages a fair playing field for all firms and their customers. For example, the government sets rules for taxation and business registration. Much as businesses can exercise their private enterprise rights, they also adhere to government regulations related to their operations.
In the Canadian mixed market system, the government sets the regulatory environment for businesses to operate in and also controls vital services such as education, health care and electricity generation.

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

199. Differentiate between pure competition and monopolistic competition in the private enterprise system.

Answer: Pure competition is the market structure in which many sellers or competitors exist, with no single seller controlling price. It is easy for competitors to enter the market, and the products and services offered are similar. Example: small scale farming.
Monopolistic competition, on the other hand, has few to many competitors who have some level of control over pricing due to differentiation. Entry into this market is a bit more difficult than the pure competition. Cheese sellers who use their unique flavours to differentiate themselves from their competitors exemplify the monopolistic market structure.

Bloomcode: Application
Difficulty: Medium
Learning Objective: Describe macroeconomics and issues that affect the entire economy.
Section Reference: Macroeconomics: Issues for the Entire Economy
AACSB: Analytic

200. List and describe each of the four stages of the business cycle.

Answer: A business cycle refers to the cyclical expansion and contraction in a nation's economy. The four stages are: prosperity, recession, depression, and recovery. In periods of economic prosperity, unemployment remains low, consumer confidence about the future leads to more purchases, and businesses expand—by hiring more employees, investing in new technology, and making additional purchases—to take advantage of new opportunities. A recession is a cyclical economic contraction that lasts for six months or longer where consumers frequently postpone major purchases and shift buying patterns toward basic, functional products carrying low prices. Businesses mirror these changes in the marketplace by slowing production, postponing expansion plans, reducing inventories, and often cutting the size of their workforces. If an economic slowdown continues in a downward spiral during an extended period of time, the economy falls into depression. In the recovery stage, the economy emerges from recession and consumer spending picks up steam. The economy experiences high levels of growth in gross domestic product, employment, output levels, and corporate profits. Most economists believe that the government has sufficient tools to prevent a recession from becoming a depression. Therefore, a recession is typically followed by a recovery.

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: The economy experiences high levels of growth in gross domestic product, employment, output levels, and corporate profits.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

201. Distinguish between demand-pull inflation and cost-push inflation. Give an example of each.

Answer: Demand-pull inflation is caused by an increase in the demand for a good or service. An example might be higher housing prices as a result of higher incomes. Cost-push inflation is caused by an increase in the cost of producing a good or service. An example might be an increase in airline ticket prices caused by higher jet fuel prices.

Bloomcode: Application
Difficulty: Hard
Learning Objective: The economy experiences high levels of growth in gross domestic product, employment, output levels, and corporate profits.
Section Reference: Evaluating Economic Performance
AACSB: Reflective Thinking

202. Define the Consumer Price Index, and explain how it is measured.

Answer: The Consumer Price Index (CPI) measures the monthly average change in prices of goods and services. Statistics Canada calculates the CPI using the prices of a "market basket," a mix of the goods and services commonly purchased.

Bloomcode: Knowledge

Difficulty: Medium
Learning Objective: The economy experiences high levels of growth in gross domestic product, employment, output levels, and corporate profits.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

203. Describe the four categories of unemployment.

Answer: Frictional unemployment includes workers who are temporarily out of work but are looking for a job. Seasonal unemployment are workers laid off from a seasonal job. Cyclical unemployment includes workers who are laid off due to an economic contraction (recession). Structural unemployment includes workers who have been out of work for a long period of time with little hope of finding a similar job.

Bloomcode: Knowledge
Difficulty: Hard
Learning Objective: The economy experiences high levels of growth in gross domestic product, employment, output levels, and corporate profits.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

204. Mention and explain the four different types of unemployment discussed in the chapter. Which of the four is the most serious?

Answer: The four types of unemployment are:
Frictional unemployment: temporary unemployment affecting people looking for job, or waiting to start a new job. For example, people changing jobs who stop working for a while before starting the new one, or recent graduates waiting to get into the workforce.
Seasonal unemployment: based on the seasons of the year. For example, snow ploughing workers cannot continue working in the industry during the summer months.
Structural unemployment: people who are unemployed because their skills are not in demand. For example, factory workers who lose their jobs due to their company's use of advanced technology which eliminates those positions.
Cyclical unemployment: people losing their jobs due to a slowdown in the economy – based on the business cycle. For example, many companies downsized their workforce during the 2008 recession.
The most serious of the four is structural unemployment because people without the needed skills to find a job could be unemployed for a long time if they do not retrain for employable skills. If the structural unemployment is due to injury or disability, it becomes even more serious and challenging.

Bloomcode: Knowledge
Difficulty: Hard
Learning Objective: The economy experiences high levels of growth in gross domestic product, employment, output levels, and corporate profits.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

205. Mention and explain the stages of the business cycle.

Answer: The stages of the business cycle are:
Prosperity: Times of prosperity means that unemployment is low, consumers are confident about the future and make more purchases, business expand, hire more workers, invest in new technology and take advantage of new opportunities in the economy.
Recession: A recession means there's a contraction in the economy, lasting six months or more. Consumers usually wait before making any major purchases since they're not sure of future employment income generation. Some consumers cut back on vacations and shop in lower-priced outlets. Businesses also slow production, delay expansion plans and reduce the number of employees, since revenues and profits drop.
Depression: Depression happens when there's a prolonged recession. Most countries have not experienced a depression in recent years, but the great depression of the 1930s is a good example. During this this period the most basic necessities of life are hard to come by, and unemployment is very high.
Recovery: During the recovery stage, the economy starts to get out of the recession. Businesses gradually start hiring temporary and part-time workers during this early stage. Unemployment begin to decline, and consumers also start spending a little more than they did during recession period. As the economy continues to recover, business hire more workers and consumer spending continue to increase.
At any given moment, a country's economy is said to be in one of these stages.

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: The economy experiences high levels of growth in gross domestic product, employment, output levels, and corporate profits.
Section Reference: Evaluating Economic Performance
AACSB: Analytic

206. What is monetary policy? What governmental agency controls monetary policy? Describe actions that are used to influence economic activity.

Answer: Monetary policy involves government actions to increase or decrease the money supply and change banking requirements and interest rates to influence banks' willingness to make loans. The Bank of Canada Governor, Tiff Macklem, is responsible for the country's monetary policy. He works independently of the current government. Reducing the money supply causes higher interest rates and slows down the economy, whereas increasing the money supply lowers interest rates and stimulates economic growth.

Bloomcode: Application
Difficulty: Hard
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Managing the Economy's Performance
AACSB: Reflective Thinking

207. What is fiscal policy? How does fiscal policy affect economic conditions?

Answer: Fiscal policy deals with taxing and spending decisions made by the government. Generally, increases in taxes or decreases in spending will tend to reduce inflation and slow economic growth. Increases in spending or decreases in taxes often have the opposite effect.

Bloomcode: Application
Difficulty: Hard
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Managing the Economy's Performance
AACSB: Reflective Thinking

208. What is the difference between monetary and fiscal policy?

Answer: A monetary policy is used by the government to increase or decrease the supply of money in the system. An expansionary monetary policy will increase the supply of money in the system, and decrease the cost of borrowing for consumers. For example, lowering interest rates, encourages consumers to borrow and increase spending. A restrictive monetary policy, on the other, reduces the supply of money and controls overly rapid economic growth.
A fiscal policy guides the government's decision regarding taxation and spending, with the aim of controlling inflation, reducing unemployment, and improving overall economic growth. For example, reducing corporate and personal taxes would mean that corporations can make more profits and hire more workers, and workers will have more disposable income, and be able to spend more. These will positively impact the country's economy.

Bloomcode: Knowledge
Difficulty: Hard
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Managing the Economy's Performance
AACSB: Analytic

209. What is national debt, and how does come about?

Answer: National debt is a result of borrowings by the government to fund annual budgets. The government borrows money, when other revenue sources such as taxes and fees are not enough to finance the budget. Borrowing can be done locally or internationally. For example, when the government issues treasury bills, individuals and institutions that purchase the bills expect their money back plus interest, within a specified period of time. The government then has a duty to pay back the funds as scheduled.

Bloomcode: Knowledge
Difficulty: Hard
Learning Objective: Identify how to evaluate economic performance.
Section Reference: Managing the Economy's Performance
AACSB: Analytic

210. Why should Canadian firms consider global expansion?

Answer: Canada is home to only a small portion of the world's population. The markets are saturated. If a company wishes to pursue growth, they must look outside of Canada. Labour costs are also lower in other countries, which can increase profits for Canadian companies.

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges
AACSB: Analytic

211. What are the global economic challenges faced by companies?

Answer: The global economic challenges include asset bubble in a major economy, deflation in a major economy, energy price shock to the global economy, failure of a major financial mechanism or institution, failure/shortfall of critical infrastructure, fiscal crises in key economies, high structural unemployment or underemployment, illicit trade, trade tensions, and unmanageable inflation.
Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges
AACSB: Analytic

212. What does 'global economy' mean, as explained in the textbook?

Answer: 'Global economy' means that no country is an island—nations depend on each other for various reasons. Goods and services move across national borders regularly, and more companies are making efforts to operate/intensify international operations. Global trade and investments keep growing, meaning that events in one nation easily impact other parts of the world. Globalization has opened up world markets and connected nations and businesses in a small global village.

Bloomcode: Knowledge
Difficulty: Medium
Learning Objective: Describe the global economic challenges encountered by businesses today.
Section Reference: Global Economic Challenges
AACSB: Reflective Thinking

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