

## JA Economics®

### Quiz: Post-Theme 3.1: Government's Role in A Flourishing Market Economy

Circle the best answer for each question.

1. **A government agency is considering funding a public dog park. Which criterion should it consider in order for the dog park to qualify as a public good?**
  - a. public location
  - b. excludability
  - c. public users
  - d. non-rivalry
2. **What is a likely reason for the government to address a market failure?**
  - a. A fifth airline wants to create a route between New York and Boston.
  - b. A bank is going out of business and will not be able to give money back to its depositors.
  - c. A national big-box store wants to build a new location across the street from a national landmark.
  - d. A business installs a flagpole on its property that is too tall.
3. **Which statement identifies a role of a limited government?**
  - a. ensuring stable prices with increasing GDP
  - b. supplying a large number of public goods
  - c. discouraging competition
  - d. defining and protecting private property rights
4. **A business can raise capital by \_\_\_\_.**
  - a. loaning to qualified borrowers
  - b. issuing bonds
  - c. investing in physical capital
  - d. reusing capital investments

5. **How can my savings in the bank help create economic growth?**
- a. My neighbor's business can borrow my money from the bank to expand the business.
  - b. The bank can use my money for employee bonuses.
  - c. The bank can use my money to fund a political campaign.
  - d. The bank can exchange my money at the Federal Reserve for newer bills.
6. **Which intervention by the government would best help an investor become profitably involved in the stock market or bond markets?**
- a. requiring accurate and equal information on the health of companies that are being publicly traded
  - b. requiring equal representation based on race and gender of the publicly traded company's board of directors
  - c. ensuring that companies that make bad decisions do not suffer the financial consequences
  - d. providing accurate information on the physical health of each company's board of directors
7. **The equation of exchange shows \_\_\_\_\_.**
- a. the exchanges that take place on the stock market
  - b. the equality required to make fair exchanges in the economy
  - c. the relationship between the combined money in an economy and the amount of goods and services
  - d. an equation that computes the gross national product
8. **Which statement accurately describes one of the three functions of stable money?**
- a. Sellers will not accept it in transactions because it has value.
  - b. It indicates the relative value of products and resources.
  - c. You cannot be confident that you can use it in the future.
  - d. Saving in the present is the same as saving in the future.
9. **The government added a tariff on all magic beans coming into the United States, because the U.S. magic bean market had been hit hard by a storm. Now 50 years later, it's still more expensive to buy magic beans internationally, even though they cost less to produce and are better quality. Which statement about this scenario is true?**
- a. Only rich consumers are paying a dispersed cost to protect the U.S. magic bean industry.
  - b. The U.S. magic bean industry is enjoying a concentrated benefit.
  - c. This is an example of a successful government intervention.
  - d. This is an example of how the money supply grows.