

Check Yourself

In the sentences below, fill in the blanks with the correct answer.

1. An economic system is used by society to allocate _____ for its people and to cope with _____.
2. The equilibrium point is the point on a supply and demand curve where supply and demand are _____.
3. An important aspect of a market economy is _____ exchange.
4. The _____ economic system is also called capitalism or free enterprise.
5. Competition between entrepreneurs selling the same goods or services pushes prices _____.
6. Entrepreneurs make a profit when the amount of money coming into a business is _____ than the business's expenses.
7. A nonprofit organization operates solely to serve the good of _____.

Circle whether each statement is true or false.

8. True False The command system is the best economic system for entrepreneurs.
9. True False People play the central role in an economy.
10. True False Consumers buy more of a product when its price is low.
11. True False The supply and demand curve is a tool used by entrepreneurs.
12. True False Suppliers often charge higher prices when demand is low.
13. True False The profit motive encourages entrepreneurs to start businesses.
14. True False Earning a profit is the only reason that people start businesses.
15. True False Non-profit organizations are not allowed to make a profit.

Extend Your Knowledge

Hybrid cars are considered environmentally friendly, because they use less gasoline than traditional cars. Prepare a PowerPoint slide show for the class that describes the current supply and demand relationship for hybrid cars. List and explain factors that could cause supply to increase or decrease in the future. Also list and explain factors that could cause demand to increase or decrease in the future. Make sure the slide show is the length specified by the instructor.