**Name\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Class\_\_\_\_\_\_Date\_\_\_\_\_\_\_\_\_**

**General Economic Knowledge Pretest**

These are general knowledge economics questions developed by Economics teachers and university professors around the country. They reflect the level of knowledge average high school seniors should have by the time they graduate.

1. **For most people, the largest portion of their personal income comes from**
   1. Rent paid to them on their property C. Wages and salaries from their jobs
   2. Interest on stocks and bonds D. The federal and state government
2. **When a person rents an apartment, who benefits from the transaction?**
   1. Only the person renting the apartment C. Mortgage companies
   2. Both the renter and the landlord D. Only the landlord
3. **When deciding which of two items to purchase, you should always**
   1. Choose after comparing costs and benefits of both items
   2. Choose the item that costs less
   3. Choose the item with the greatest benefits
   4. Choose the one you want the most
4. **If the price of beef doubled and the price of poultry stayed the same, people would most likely buy**
   1. Less poultry and more beef
   2. More poultry and less beef
   3. The same amount of poultry and beef
   4. Less poultry and beef
5. **The manufacturers of Zippy-Cool automobiles have their manufacturing plants running night and day. However, they are not able to make enough cars to satisfy demand for them. If Zippy-Cool cannot increase production and demand continues to rise, the price of the cars will**
   1. Increase c. Stay the same
   2. Decrease d. Decrease dramatically
6. **In the United States, who determines what goods and services are produced?**
   1. Producers c. Consumers
   2. Government d. Producers, consumers and the government
7. **A large increase in the cost of producing jeans is most likely to result in**
   1. Lower jean prices and more jeans bought
   2. Higher jean prices and fewer jeans bought
   3. No change
   4. Lower jean prices and fewer jeans bought
8. **A person who starts a business to produce a new product or render a service is known in the marketplace as a**
   1. Bureaucrat C. Manager
   2. Consumer D. Entrepreneur
9. **If interest rates charged by banks decreased, businesses would be most likely to**
   1. Increase investment spending
   2. Decrease the number of employees
   3. Increase their prices
   4. See an increase in their stock prices
10. **Which of the following statements is true about money?**
    1. It holds its value during times of inflation
    2. It makes saving more difficult
    3. It makes buying and selling easier
    4. It doesn’t hold its value
11. **Assume that one US Dollar is the same as 10 Japanese Yen. If the Dollar becomes worth 15 Yen, which of the following occurs?**
    1. The price of Japanese goods increases
    2. Japan will export more goods into the US marketplace
    3. Americans in Japan will see that their dollar will buy more goods and services
    4. America will increase the number of goods it exports to Japan
12. **If your city set a maximum amount that landlords can charge for rent, what would the result most likely be?**
    1. Available apartments will equal the number of people who want to rent them
    2. There will be fewer apartments than people wanting to rent them
    3. There will be more apartments than people wanting to rent them
    4. No change in the number of apartments or people wanting to rent
13. **If the United States stopped importing cars from Japan, who would likely benefit the most?**
    1. Japanese automakers
    2. American automakers
    3. American consumers
    4. Japanese consumers
14. **When the government’s expenses for a year are higher than its revenue for that year, the difference is known as**
    1. A budget surplus
    2. A budget shortfall
    3. A budget deficit
    4. A budget windfall
15. **The phenomenon of “scarcity” occurs because**
    1. The production methods in most economies are not very efficient
    2. In most economies, wealthy people consume more than their fair share of goods and services
    3. Governments restrict production of too many goods and services
    4. Resources are limited
    5. People are greedy
16. **The “opportunity cost” of an item is**
    1. The best thing you give up in order to get that item
    2. The dollar value of the item itself
    3. Usually less than the dollar value of the item
    4. The number of hours needed to earn the money to buy the item
17. **The “ opportunity cost” of going to college is**
    1. The total amount spent on food, clothing, books, transportation, tuition, lodging and other expenses
    2. The value of the best opportunity the student gives up to attend college
    3. Zero for students who are fortunate enough to get full scholarships
    4. Zero since a college education will allow a student to earn a larger income after graduation
18. **In a market economy, economic activity is guided by**
    1. The government
    2. Corporations
    3. Central planners
    4. The president
    5. Self interest and prices
19. **Which of the following is NOT a reason that governments are needed?**
    1. The government provides social welfare services for the poor and needy
    2. The government provides public goods and services
    3. The government regulates markets when there is a market failure
    4. The government provides free food for everyone
    5. The government imposes laws and controls to protect industry competition
20. **If a gardener produces both green beans and corn in her garden. If she must give up 14 bushels of corn to get 5 bushels of green beans, then her opportunity cost of 1 bushel of green beans is**
    1. 0.36 bushel of corn
    2. 2.4 bushels of corn
    3. 2.8 bushels of corn
    4. 70 bushels of corn
    5. 1 bushel of corn
21. **NAFTA is an organization dealing with**
    1. A trade agreement between South and North America
    2. A trade agreement between Mexico, the United States and Canada
    3. A trade agreement between Europe and the United States
    4. A trade agreement between Asia, Europe and the United States
22. **Donna earns $2100 monthly and has to pay $300 in income taxes. How much disposable income does Donna have?**
    1. $2400 C. $1800
    2. $2000 D. $667
23. **Referring to the above question, if Donna consumes one half of her disposable income on rent, food, and utilities, how much does she have left over for savings?**
    1. $900 C. $1000
    2. $1800 D. $333.50
24. **In order to be defined as unemployed, a person** 
    1. Must have only a part time job at fewer than 15 hours a week
    2. Must stop looking for a job completely
    3. Must have gotten fired from a previous job
    4. Must be without a job but be actively looking for work
25. **The central bank of the United States is called the**
    1. Federal Reserve Bank c. Citibank
    2. Bank of the United States d. the national Treasury
26. **Which best describes the U.S. Federal Reserve?**
    1. It is responsible for monetary policy and the money supply
    2. It prints money
    3. It keeps the country out of debt to other nations
    4. It helps people in need
27. **What is the basic purpose of profits in our market economy?**
    1. Pays for wages and salaries of workers
    2. Leads businesses to produce goods that consumers want
    3. Transfers income to the wealthy
    4. All of the above
28. **Who sets monetary policy in the United States?**
    1. Congress c. U.S. Treasury Department
    2. the President d. the federal Reserve
29. **The price of snack food products in a competitive market are determined by**
    1. Government c. Supply and Demand
    2. Businesses d. Consumer Price Index
30. **The purchasing power of people’s incomes is most affected by**
    1. The inflation rate
    2. The trade deficit
    3. The balance of payments owed
    4. The national budget deficit
31. **Who makes fiscal policy in the United States?**
    1. The President and congress
    2. The Federal Reserve
    3. The U.S. Treasury
    4. The Internal Revenue Service
32. **Which of the following statements is true about sales tax?**
    1. The national sales tax rate is 6%
    2. The federal government automatically deducts it from your paycheck
    3. You don’t have to pay any if your income is very low
    4. It makes things more expensive for you to buy
33. **Under which of the following circumstances would it be financially beneficial to you to borrow money to buy something now and repay it with future income (in other words, buy something with credit)**
    1. When you need to buy a car to get a much better paying job
    2. When you really need a week vacation
    3. When some clothes you like go on sale
    4. When the interest on the loan is greater than your savings
34. **Which of the following statements is true about your credit record?**
    1. You can only check your credit record for free if you have been turned down for a credit card based on your record
    2. All credit records are the property of the United States government and can be accessed only by the FBI
    3. You cannot see your credit record
    4. You can check your credit record for free once a year
35. **If you went to college and earned a four-year degree, how much more money could you expect to earn than if you only had a high school diploma?**

a. About 10 times as much.

b. No more; I would make about the same either way.

c. A little more; about 20% more.

d. A lot more; about 70% more.

1. **If your credit card is stolen and the thief runs up a total debt of $1,000, but you notify the issuer of the card as soon as you discover it is missing, what is the maximum amount that you can be forced to pay according to Federal law?**

a. $500

b. $1000

c. Nothing.

d. $50

1. **Scott and Eric are young men. Each has a good credit history. They work at the same company and make approximately the same salary. Scott has borrowed $6,000 to take a foreign vacation. Eric has borrowed $6,000 to buy a car. Who is likely to pay the lowest finance charge?**

a. Eric will pay less because the car is collateral for the loan.

b. They will both pay the same because the rate is set by law.

c. Scott will pay less because people who travel overseas are better risks.

d. They will both pay the same because they have almost identical financial backgrounds.

1. **David just found a job with a take home pay of $2000 per month. He must pay $900 for rent and $150 for groceries each month. He also spends $250 a month on transportation. If he budgets $100 a month for clothing, $200 for restaurants and $250 for everything else, how long will it take him to have $600 in his savings account?**
   1. 3 months c. 1 month
   2. 4 months d. 2 months
2. **Which of the following credit card users is likely to pay the GREATEST dollar amount in finance charges per year, if they all charge the same amount per year on their cards?**

a.) Jessica, who pays at least the minimum amount each month and more, when she has the money.

b.) Vera, who generally pays off her credit card in full but, occasionally, will pay the minimum when she is short of cash

c.) Megan, who always pays off her credit card bill in full shortly after she receives it

d.) Erin, who only pays the minimum amount each month.

1. **Which of the following statements is true?**

a.) Banks and other lenders share the credit history of their borrowers with each other and are likely to know of any loan payments that you have missed.

b.) People have so many loans it is very unlikely that one bank will know your history with another bank

c.) Your bad loan payment record with one bank will not be considered if you apply to another bank for a loan.

d.) If you missed a payment more than 2 years ago, it cannot be considered in a loan decision.

1. **Rob and Mary are the same age. At age 25 Mary began saving $2,000 a year while Rob saved nothing. At age 50, Rob realized that he needed money for retirement and started saving $4,000 per year while Mary kept saving her $2,000. Now they are both 75 years old. Who has the most money in his or her retirement account?**

a. They would each have the same amount because they put away exactly the same

b. Rob, because he saved more each year

c. Mary, because she has put away more money

d. Mary, because her money has grown for a longer time at compound interest.

**42. A large increase in the number of fast-food restaurants in a community is most likely to result in:**

A. Lower prices and higher quality.

B. Lower prices and lower quality.

C. Higher prices and higher quality.

D. Higher prices and lower quality

**43. Mexico grows fruits and vegetables and Argentina produces beef. If Mexico voluntarily trades fruits and vegetables in exchange for Argentinean beef,**

A. Both Mexico and Argentina benefit from the trade.

B. Both Mexico and Argentina lose from the trade.

C. Mexico benefits and Argentina loses from the trade.

D. Don't Know.

**44. When governments supply products and services, these products and services usually benefit:**

A. More than one person at a time whether they have paid for it or not.

B. Only the people who pay for these products and services.

C. Business at the expense of consumers.

D. Don't Know.

**45.Which of the following would be most likely to accelerate innovation in the computer industry?**

A. Placing a tax on all new inventions in the computer industry.

B. Increasing government regulation of the computer industry.

C. Investing in more research and development in the computer industry.

D. Don't Know.

**46.When governments supply products and services, these products and services usually benefit:**

A. More than one person at a time whether they have paid for it or not.

B. Only the people who pay for these products and services.

C. Business at the expense of consumers.

D. Don't Know.

**47. The stock market is an example of an institution within our economy that exists to help people achieve their economic goals. The existence of this institution:**

A. Results in an increase in the price of stocks.

B. Brings people who want to buy stocks together with those who want to sell stocks.

C. Helps predict stock earnings.

D. Don't Know