**Civics Benchmark Review #1-**
Write all answers on Page 16 L or R.
*DO NOT WRITE ANSWERS ON THIS SHEET!*

Define and give an example of…

1. Incentive- changes your economic behavior (coupon)
2. Capital- resource needed to run or start a business (machines and money)
3. Resources- something used to run a business or make a product (human, capital, natural)
4. Producer- makes a product to sell (business)
5. Entrepreneur- takes a risk to earn a profit (Sam Walton who started WalMart)
6. Opportunity cost- what is given up when a choice is made (Coke or Pepsi? Choose Coke, then Pepsi is OC)
7. Free Market Economy- very little to no government involvement (Private Sector of America)
8. Command Economy- All government all the time (communist economy like China)
9. Traditional Economy- No profit or government influence (Amish, Native Americans)
10. Mixed Economy- half free, half command (American economy)
11. Producer- Makes a product to sell (business)
12. Consumer- buys the product (customer)
13. Profit- money remaining after all expenses have been paid (earnings-expenses)
14. Competition- businesses “battle” for customers (low prices and high quality)
15. Corporation- business with a large amount of owners that acts as one legal person (Apple Computers)
16. Sole Proprietorship- single owner (you open a restaurant by yourself)
17. Partnership- 2 or more owners sharing risk (you and a friend open a restaurant together)
18. Public goods and services- items/services provided by the govt with tax dollars that benefit a lot of people at once (schools, roads)
19. FCC- federal communications commission (regulates radio/tv)
20. FTC- federal trade commission (regulates businesses)
21. EPA- environmental protection agency (protects the environment)
22. IRS- internal revenue service (collects taxes)
23. FRS- federal reserve system (national bank, regulates the amount of money in the economy)

Answer the following…

1. Complete the graphic by drawing/labeling arrows to show money flow…
  **PRIVATE SECTOR**

BANKS

INDIVIDUALS BUSINESSES

**PUBLIC SECTOR**

GOVT CITIZENS

1. How do banks make money? Collect interest on loans
2. If a corporation fails, the owner’s liability is limited to what? (How much would you lose if you owned stock in Apple and it went out of business?) limited to your investment. (the more you put in, the more you will lose if they fail)
3. How does the government pay for public goods and services? Tax dollars or borrowed money
4. Why do states and nations trade with other countries? To get things they couldn’t produce on their own and encourage extra competition
5. What impact does technology have on global trade? (Specifically, the cost of producing a good) makes it cheaper to make a transport products worldwide.
6. How and why does the government encourage marketplace competition? (three ways) antitrust laws to break up monopolies, incentives and tax breaks for small businesses, and participating in global trade
7. How does the government get money if it cannot raise taxes? Borrow from the Fed or another country
8. When the government spends more money, what happens to taxes? They increase
9. What is the 16th Amendment? Allows the government to tax your income
10. How does the government support your right as a consumer? Protects competition, contracts to protect private ownership, legal action for business mistakes
11. Coins, Federal Reserve Notes (currency), and bank deposits are all \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Forms of money in America
12. Selling an item on eBay is an example of how technology has affected what? The economy
13. Supply and Demand helps determine \_\_\_\_\_? price
14. The knitting needles you use to make a scarf you plan to sell would be what kind of resource? Capital resource
15. You must pay $5 for materials to make the scarf you plan to sell. This is a business \_\_\_\_\_\_\_\_\_\_? Opportunity cost
16. When the American government allows businesses to make their own decisions, they are most like a/an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ economy. Free market
17. Scarcity forces people to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Make choices
18. Who runs the private sector in a mixed economy? The businesses and individuals
19. Who runs the public sector in a mixed economy? government
20. Would it be better to buy a house when interest rates are high or low? Why? Low, because the lower the interest rate, the less you have to pay “extra”
21. How do businesses know what kind of products to produce? Consumer sovereignty/what the customer is willing to buy.
22. Other than taxes, how else can the government get money to pay for public goods? Borrowing money from the fed
23. Who (ultimately) designs and prints the money? (And it’s NOT the FRS…) the government