

## Economics

### Unit 3 – Fundamentals of a Market-Based Economy

#### Unit 3 QuiaTest Study Guide

The Unit 3 test is a 25-question multiple-choice and will be taken on Quia. It is worth 50 points and will count as a Test grade. On the test, you will be required to do the following:

- Identify the definition of Adam Smith’s concept of the “invisible hand”
- Identify the results of a free market for consumers & producers
- Identify examples of **crony capitalism**
- Identify characteristics of a “**laissez-faire**” market economy as it relates to **economic freedom**
- Identify why **contracts** are important in a market economy
- Identify who is paid last from a business’s operations
- Identify who is not guaranteed payment from a business’s operations
- Identify why **property rights** are important in a market economy
- Identify the ways a government normally intervenes in a market economy
- Given a scenario, identify whether or not the scenario depicts **specialization**
- Given a scenario, identify whether or not the scenario depicts **division of labor**
- Identify how specialization leads to **economic interdependence**
- Given a scenario, identify whether or not the scenario depicts an **absolute advantage**
- Given a scenario, identify whether or not the scenario depicts a **comparative advantage**
- Given a scenario, identify what two producers should produce based on the concept of comparative advantage
- Identify the role of an entrepreneur as the following:
  - **Strategist**
  - **Spark Plug**
  - **Risk Taker**
  - **Innovator**
- Identify reasons why entrepreneurs normally start businesses
- Identify how **profits** are calculated
- Given a scenario, identify the gross profit per item for a product in the scenario
- Given a scenario depicting improved productivity, identify the gross profit per item for a product in the scenario