

Name: _____

Economics
2021
Southmont Christian Academics

BASIC ECONOMICS

CHAPTER 6: The Role of Profits — And Losses

QUESTIONS

1. Explain how both profits and losses can provide helpful information to a producer or seller of goods.
2. Which of these is the main and universal motivator that makes **most humans** around the world work hard, innovate, and make difficult discoveries?
 - A. to help their country advance, and its people prosper
 - B. to achieve the reward that profits will bring
 - C. to make sure that people who aren't working hard, innovating, or discovering will still have food, housing, transportation, and healthcare
 - D. to earn the same pay as the person who isn't employed
3. Explain why a socialist/communist economy discourages innovation and a free-market economy encourages it.
4. Explain the idea that "When businesses compete, consumers win."
5. Capitalism has a cost, which is profits. Presumably this cost does not exist in socialism (although in reality it does). But there is a different cost under socialism. What is it?