Economic Geography, Second Edition
By Neil Coe, Philip Kelly, and Henry Yeung

Chapter 2: The Economy: What Does It Mean?

Multiple-Choice Questions

Select the best answer.

1. A common metaphor for the state of the economy is that the economy is:

   a. Healthy
   b. Growing
   c. Sick
   d. **All of the above**
   e. None of the above

2. The economy is often treated as an entity that is:

   a. Separate from everyday life
   b. Distinct from everyday life
   c. Identifiable and bounded
   d. **All of the above**
   e. None of the above

3. Major events such as ___________________ are often assessed in relation to their impact upon the economy.

   a. Terrorist attacks
   b. Natural disasters
   c. Political tensions
   d. **All of the above**
   e. None of the above

4. Gross domestic product (GDP) adds together ___________________.

   a. **The total market value of the production of goods and services in a particular economy**
   b. The net market value of industrial production in a particular economy
   c. The gross market value of industrial production in a particular economy
   d. The gross market value of industrial production in a domestic economy
   e. The total market value of industrial production in a domestic economy

5. A simpler approach to conceptualizing GDP would be the ___________________ in a particular economy.

   a. Protracted output
   b. Partial output
   c. **Total output**
   d. All of the above
   e. None of the above

6. The most straightforward way of calculating GDP is to add together all recorded final ___________________ on goods and services in a particular territory.

   a. **Expenditures**
   b. Income
   c. Revenue
   d. All of the above
   e. None of the above

7. The consumption costs of governments often include:

   a. School infrastructure
   b. Military spending
   c. Healthcare spending
   d. **All of the above**
   e. None of the above

8. The calculation of GDP includes money entering the economy from abroad by taking the value of output that is exported, _______________ the value of imports.

   a. In addition to
   b. Divided by
   c. Multiplied by
   d. All of the above
   e. **None of the above**

9. GDP provides an immediate sense of the geographical unevenness of:

   a. Political tensions
   b. Consumer preferences
   c. **Global wealth and power**
   d. All of the above
   e. None of the above

10. The word "economy" would have referred to the management of a _____________ in the early 18th century.

a. **Household**
b. Village
c. Hamlet
d. All of the above
e. None of the above

11. In England, in the latter decades of the 18th century a period of rapid change was ushered in during the:

    a. Holy wars
    b. English Reformation
    c. Renaissance
    d. All of the above
    e. **None of the above**

12. In pre-industrial societies, most agricultural or craft production is for _____________ purposes.

    a. Economic
    b. Monetary
    c. Political
    d. **Subsistence**
    e. Spiritual

13. With production on a much grander scale and increasing levels of specialization during the Industrial Revolution, it became possible to think of a:

    a. **Division of labor**
    b. Separation of church and state
    c. Global banking system
    d. All of the above
    e. None of the above

14. Published in 1776, Adam Smith's book *The Wealth of Nations* showed that a group of people ____ could make pins far more quickly and efficiently than an individual craftsman carrying out every stage of the process himself.

    a. Coming from the same background and specializing in the same skills
    b. Who were committed to bolstering the wealth of their nation
    c. **Specializing in different stages of the manufacturing process**
    d. All of the above
    e. None of the above

15. Adam Smith's metaphor of the "invisible hand" sums up his argument that by seeking only their own enrichment and advancement, ______________ unconsciously benefited society as a whole.

a. Corporations
b. Governments
c. Trade unions
d. All of the above
e. **None of the above**

16. The analysis of national production and consumption, which Adam Smith developed, became known as:

a. Econometrics
b. **Political economy**
c. Political science
d. Modern sociology
e. National accounting

17. The late 19th century was a period of profound change for many European societies as:

a. Colonial territories were expanded
b. Large industrial cities were growing rapidly
c. Great advances were being made in natural sciences
d. **All of the above**
e. None of the above

18. As modern economics developed into an academic discipline in the late 19th century, economists started to think less in terms of national political economy and more in terms of ______________________.

a. **Individual economic decisions and outcomes**
b. Household decision-making and outcomes
c. Global trading networks and telecommunications
d. The impacts of economic growth on the environment
e. Competitive production strategies

19. Economists apply the concept of "utility" to anything "economic" that can be measured in terms of:

a. Its value or its usefulness to nations
b. Its value or its usefulness to corporations
c. **Its value or its usefulness to individuals**
d. All of the above
e. None of the above

20. The emergence of econometrics as a field of study in the 1930s saw the application of __________________ to capture economic processes.

a. **Complex mathematical techniques**
b. Complex mechanical models
c. External shock analysis
d. All of the above
e. None of the above

21. John Maynard Keynes established the idea that a national economy was a bounded and self-contained entity that:

    a. Could be controlled through military force
    b. Could be managed using local decision-making
    c. **Could be managed using particular policy tools**
    d. All of the above
    e. None of the above

22. Many industrialized (non-communist) nations first began to implement the ideas that Keynes was advocating following:

    a. **The Second World War**
    b. The Vietnam War
    c. The Gulf War
    d. All of the above
    e. None of the above

23. A Keynesian conception of the economy viewed it as an:

    a. Uncontrollable and natural process
    b. Integral part of our everyday lives and interactions with others
    c. **External sphere, separate from the rest of our lives**
    d. All of the above
    e. None of the above

24. Keynesianism was based on the belief that the economic sphere operated independently of:

    a. Social processes
    b. Political processes
    c. Religious processes
    d. **All of the above**
    e. None of the above

25. Institutions such as the World Bank and the International Monetary Fund were established in the 1940s in order for national governments to:

    a. **Coordinate their economies**
    b. Discuss the possibility for one global currency
    c. Set domestic interest rates

d. All of the above
e. None of the above

26. Much of what we take for granted in our notion of the economy is actually a set of ideas that are relatively:

    a. Ancient
    b. Intrinsic
    c. **Recent**
    d. All of the above
    e. None of the above

27. There is nothing ___________________ about the way in which we understand, measure, and manage the economy.

    a. Natural
    b. Fundamental
    c. Ideal
    d. **All of the above**
    e. None of the above

28. Economics is usually defined as the study of the allocation of _______________ resources.

    a. Abundant
    b. **Scarce**
    c. Natural
    d. All of the above
    e. None of the above

29. Demand for a product or service can include:

    a. Fundamental human needs for food and shelter
    b. Luxuries such as expensive art and jewelry
    c. Clothing and electronics
    d. **All of the above**
    e. None of the above

30. *Effective* demand represents desires by individuals backed up by:

    a. **Their ability to pay for them**
    b. The availability of a product or service in the market
    c. Ethnical consumption
    d. All of the above
    e. None of the above

31. Demand is never fixed and may depend upon:

a. Fashion
b. Geography
c. Taste
d. **All of the above**
e. None of the above

32. A process of _______________ must be in place to meet demand.

a. **Supply**
b. Rationalization
c. Industrialization
d. All of the above
e. None of the above

33. Firms represent organizing units that coordinate the _____________ of almost every conceivable product or service.

a. Production
b. Marketing
c. Sale
d. **All of the above**
e. None of the above

34. Firms often seek to:

a. Make as much profit as possible
b. Expand market share rather than their immediate profit on each unit produced
c. Establish or maintain a reputation
d. **All of the above**
e. None of the above

35. Which of the following represents an ownership or organizational form of a firm:

a. Single proprietor companies
b. Partnerships
c. Public companies
d. **All of the above**
e. None of the above

36. Conventional economic analysis assumes that demand and supply will ________________ in a market.

a. **Come together**
b. Be eliminated
c. Diverge

d. All of the above
e. None of the above

37. In its purest form a market operates to unite buyers and sellers and to fix a ______________ for the product or service.

a. Tax
b. Gratuity
c. **Price**
d. All of the above
e. None of the above

38. The higher the price for something, the ______________ the demand.

a. Higher
b. More realistic
c. More accurate
d. All of the above
e. **None of the above**

39. The higher the price for something, the more someone somewhere will be willing to:

a. **Supply it**
b. Demand it
c. Buy it
d. All of the above
e. None of the above

40. The tendencies of buyers and sellers can be represented in the meeting of demand and supply curves. Where the two lines intersect, then demand and supply have reached a(n) _________________ and this is the price that will be set.

a. **Equilibrium**
b. Disparity
c. Impasse
d. All of the above
e. None of the above

41. When consumers and producers all have complete knowledge of their options in terms of who is available as a buyer or seller, this is a situation known as ____________________.

a. Imperfect competition
b. An unbalanced economy
c. Market inequity
d. All of the above

e. **None of the above**

42. When the number of buyers for a product or service is limited to a very small number of purchasers, this is known as a(n):

    a. **Oligopsony**
    b. Cacophony
    c. Cartel
    d. All of the above
    e. None of the above

43. In markets of all kinds, prices are determined through the use of money as a universal measure of:

    a. Dollars
    b. Complexity
    c. **Value**
    d. All of the above
    e. None of the above

44. Economic analysis usually assumes people behave individually, but the decisions people make are far more complicated and irrational. Self-interest may be mixed with:

    a. Altruism
    b. Charity
    c. Ethical consumption
    d. **All of the above**
    e. None of the above

45. If a monetary value cannot readily be assigned to an activity, then it is not conventionally defined as a(n) ____________ activity.

    a. **Economic**
    b. Cost-effective
    c. Worthwhile
    d. All of the above
    e. None of the above

46. While the modern Western view is that property can be owned, and bought and sold by individuals, in many indigenous cultures, individual ownership of this sort is an alien concept. Instead, the right to use the resources of the land or the sea is often __________________ and no individual has the right to sell them.

    a. Exclusive
    b. **Collective**
    c. Private

d. All of the above

Long-Answer Questions

1. Discuss some of the limitations associated with achieving the conditions of “perfect competition” in any market. What do these limitations or complications imply for a “fair price” for any product or service in the marketplace?

2. According to Adam Smith, in what ways does the pursuit of individual self-interest connect with the wealth of an entire nation?

3. The assumption of private property is the norm within the economic culture of capitalist societies. What are some of the approaches to measuring the utility of a parcel of land, or in other words, its value? In what ways might society change if private property were abolished and all land became collective and public?

Answers to Multiple-Choice Question

1. d
2. d
3. d
4. a
5. c
6. a
7. d
8. e
9. c
10. a
11. e
12. d
13. a
14. c
15. e
16. b
17. d
18. a
19. c
20. a
21. c
22. a
23. c
24. d
25. a
26. c
27. d
28. b
29. d
30. a
31. d
32. a
33. d
34. d
35. d
36. a
37. c
38. e
39. a
40. a
41. e
42. a
43. c
44. d
45. a
46. b