

Chapter 1

What Is Economics?

1 Definition of Economics

- 1) All economic questions are about
- A) how to make money.
 - B) what to produce.
 - C) how to cope with scarcity.
 - D) how to satisfy all our wants.

Answer: C

Topic: Definition of Economics

Skill: Recognition

AACSB: Reflective Thinking

- 2) An incentive
- A) could be a reward but could not be a penalty.
 - B) could be a penalty but could not be a reward.
 - C) could be either a reward or a penalty.
 - D) is the opposite of a tradeoff.

Answer: C

Topic: Definition of Economics

Skill: Recognition

AACSB: Reflective Thinking

- 3) An inducement to take a particular action is called
- A) the marginal benefit.
 - B) the marginal cost.
 - C) opportunity cost.
 - D) an incentive.

Answer: D

Topic: Incentive

Skill: Recognition

AACSB: Reflective Thinking

- 4) All economic questions arise because we
- A) want more than we can get.
 - B) want more than we need.
 - C) have an abundance of resources.
 - D) have limited wants that need to be satisfied.

Answer: A

Topic: Scarcity

Skill: Recognition

AACSB: Reflective Thinking

5) The most fundamental economic problem is

- A) security.
- B) scarcity.
- C) health.
- D) the fact the United States buys more goods from foreigners than we sell to foreigners.

Answer: B

Topic: Scarcity

Skill: Recognition

AACSB: Reflective Thinking

6) Economics is best defined as the study of how people, businesses, governments, and societies

- A) choose abundance over scarcity.
- B) make choices to cope with scarcity.
- C) use their infinite resources.
- D) attain wealth.

Answer: B

Topic: Scarcity

Skill: Conceptual

AACSB: Reflective Thinking

7) Scarcity is a situation in which

- A) people cannot satisfy all their wants.
- B) most people can get only bare necessities.
- C) people can satisfy all their wants.
- D) some people can get all they want and some cannot.

Answer: A

Topic: Scarcity

Skill: Recognition

AACSB: Reflective Thinking

8) Economists point out that scarcity confronts

- A) neither the poor nor the rich.
- B) the poor but not the rich.
- C) the rich but not the poor.
- D) both the poor and the rich.

Answer: D

Topic: Scarcity

Skill: Conceptual

AACSB: Ethical Reasoning

9) Scarcity requires that people must

- A) cooperate.
- B) compete.
- C) trade.
- D) make choices.

Answer: D

Topic: Scarcity

Skill: Conceptual

AACSB: Reflective Thinking

- 10) All economic questions arise because
- A) people are greedy.
 - B) production possibilities are unlimited.
 - C) we want more than we can get.
 - D) people are irrational.

Answer: C

Topic: Scarcity

Skill: Recognition

AACSB: Reflective Thinking

- 11) Scarcity is
- A) our inability to satisfy all our wants.
 - B) a situation that exists during economic recessions but not during economic booms.
 - C) when a child wants a \$1.00 can of soda and two 50 ¢ packs of gum and has \$2.00 in her pocket.
 - D) an economic problem only for poor people.

Answer: A

Topic: Scarcity

Skill: Recognition

AACSB: Reflective Thinking

- 12) Scarcity arises from
- A) inefficient production.
 - B) exploration.
 - C) limited resources and limitless wants.
 - D) limited wants and limitless resources.

Answer: C

Topic: Scarcity

Skill: Recognition

AACSB: Reflective Thinking

- 13) When an economist talks of scarcity, the economist is referring to the
- A) ability of society to employ all of its resources.
 - B) ability of society to consume all that it produces.
 - C) inability of society to satisfy all human wants because of limited resources.
 - D) ability of society to continually make technological breakthroughs and increase production.

Answer: C

Topic: Scarcity

Skill: Recognition

AACSB: Reflective Thinking

- 14) Scarcity is experienced by
- A) only the wealthy.
 - B) only the poor.
 - C) only producers.
 - D) everyone.

Answer: D

Topic: Scarcity

Skill: Recognition

AACSB: Ethical Reasoning

15) Fundamental economic problems basically arise from

- A) the fact that society has more than it needs.
- B) turmoil in the stock market.
- C) the unequal distribution of income.
- D) our wants exceeding our scarce resources.

Answer: D

Topic: Scarcity

Skill: Recognition

AACSB: Reflective Thinking

16) Scarcity exists because

- A) society and people are greedy and wasteful.
- B) our wants exceed the resources available to satisfy them.
- C) of the inefficient choices we make.
- D) poor people need more food and other goods.

Answer: B

Topic: Scarcity

Skill: Recognition

AACSB: Reflective Thinking

17) Scarcity can be eliminated through

- A) the use of market mechanisms.
- B) exploration that helps us find new resources.
- C) wise use of our resources.
- D) None of the above because scarcity cannot be eliminated.

Answer: D

Topic: Scarcity

Skill: Recognition

AACSB: Reflective Thinking

18) As an economic concept, scarcity applies to

- A) both money and time.
- B) money but not time.
- C) time but not money.
- D) neither time nor money.

Answer: A

Topic: Scarcity

Skill: Conceptual

AACSB: Reflective Thinking

19) Scarcity is common to all economic systems because resources are

- A) unlimited due to constant technological advances.
- B) limited and so are human desires and wants.
- C) unlimited and so are human desires and wants.
- D) limited, but human desires and wants are unlimited.

Answer: D

Topic: Scarcity

Skill: Conceptual

AACSB: Reflective Thinking

- 20) People must make choices because
- A) most people enjoy shopping.
 - B) of scarcity.
 - C) there are many goods available.
 - D) None of the above answers is correct.

Answer: B

Topic: Scarcity

Skill: Conceptual

AACSB: Reflective Thinking

- 21) The problem of "scarcity" applies
- A) only in industrially developed countries because resources are scarce in these countries.
 - B) only in underdeveloped countries because there are few productive resources in these countries.
 - C) only in economic systems that are just beginning to develop because specialized resources are scarce.
 - D) to all economic systems, regardless of their level of development.

Answer: D

Topic: Scarcity

Skill: Conceptual

AACSB: Reflective Thinking

- 22) When a wealthy businessman is unable to buy tickets to the Super Bowl, he or she experiences _____.
- A) economics
 - B) scarcity
 - C) opportunity costs
 - D) the fallacy of composition

Answer: B

Topic: Scarcity

Skill: Conceptual

AACSB: Reflective Thinking

- 23) In every economic system, choices must be made because resources are _____ and our wants are _____
- A) unlimited; limited
 - B) limited; unlimited
 - C) unlimited; unlimited
 - D) limited; limited

Answer: B

Topic: Scarcity

Skill: Conceptual

AACSB: Reflective Thinking