

[/test-bank-microeconomics-private-and-public-choice-16e-gwartney](#)

1. Adam Smith believed that if people were free to pursue their own interests,
- public interest would be served quite well.
 - less would be produced than if altruism were the guiding principle.
 - they would generally apply their talents to unproductive activities that would generate little value to society.
 - they would have little incentive to undertake productive activities.

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS: United States - BUSPROG: Analytic - BUSPROG: Analytic

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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and opportunity cost
o - DISC: Scarcity, tradeoffs, and opportunity cost

TOPICS: What is Economics About?

KEYWORDS: Bloom's: Knowledge

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2. Modern economics as a field of study is usually thought to have begun with
- Adam Smith and the writing of *The Wealth of Nations*.
 - David Ricardo and the writing of *The Principles of Political Economy and Taxation*.
 - Aristotle and the writing of *Politics and Ethics*.
 - Moses and the Ten Commandments.

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS: United States - BUSPROG: Analytic - BUSPROG: Analytic

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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and opportunity cost
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TOPICS: What is Economics About?

KEYWORDS: Bloom's: Knowledge

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3. Which of the following was a key belief of Adam Smith?
- he felt that human goodness would provide adequate goods and services to everyone.
 - he stressed that limited exchange and command economies would prevent the exploitation of the poor.
 - he believed that individuals pursuing their own interests would direct economic activity in the most advantageous way.
 - he lectured about the importance of gold and silver in providing a stable monetary system.

ANSWER: c

POINTS: 1

DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic
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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost
TOPICS: What is Economics About?
KEYWORDS: Bloom's: Knowledge
OTHER: On-line Practice
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4. According to Adam Smith, individual self-interest

- a. is a powerful force for economic progress when it is directed by competitive markets.
- b. is a powerful force for economic progress when individuals are wisely directed by a strong central government.
- c. is a major factor in retarding the economic progress of humankind.
- d. could be either a positive or negative force for economic progress, depending on the moral influences of political leaders.

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic
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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost
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5. The basic ingredients in any economic decision are

- a. scarcity and choice.
- b. surpluses and shortages.
- c. market prices and the use of efficient production methods.
- d. needs and wants.

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic
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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and opportunity cost
TOPICS: What is Economics About?
KEYWORDS: Bloom's: Knowledge
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6. Economic choice and competitive behavior are the result of

- a. scarcity.
- b. poverty.
- c. public ownership of resources.
- d. private ownership of resources.

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic

STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and opportunity cost
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7. For the typical student, taking an introductory course in economics should

- a. turn the student into an economist.
- b. teach the student solutions to most social problems.
- c. teach the student how to answer complex social questions.
- d. help the student learn to rationally analyze social problems.
- e. All of the above are correct.

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic

STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and opportunity cost
TOPICS: What is Economics About?
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8. When a society cannot produce all the goods and services people wish to have, it is said that the economy is experiencing

- a. scarcity.
- b. shortages.
- c. inefficiencies.
- d. inequities.

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS: United States - BUSPROG: Analytic - BUSPROG: Analytic
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KEYWORDS: Bloom's: Knowledge

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9. Which of the following is the best definition of economics?

- a. An investigation of the quantities and prices of the various goods produced by the nations of the world.
- b. A study of why inflation and unemployment periodically plague the U.S. economy.
- c. An analysis of how individuals and societies deal with the problem of scarcity.
- d. An examination of the role that money plays in the economy.
- e. A study of how goods and services are distributed throughout the world.

ANSWER: c

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS: United States - BUSPROG: Analytic - BUSPROG: Analytic
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10. Economics is primarily the study of

- a. how to make money in the stock market.
- b. how to operate a business successfully.
- c. the allocation of scarce resources in an effort to satisfy wants that are virtually unlimited.
- d. the methods business firms use to reduce their costs of production.

ANSWER: c

POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic
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11. Some individuals or families can become completely saturated with a service such as television. This suggests that
- a. wants are limited
 - b. desires for a single commodity can be satisfied but then the focus will switch to other goods and services
 - c. a highly productive economy may someday be able to satisfy all human desires
 - d. resources are not truly fixed in supply as we generally assume
 - e. scarcity does not exist

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic
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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost
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12. In economics, the term "scarcity" refers to the fact that
- a. everything really worthwhile costs money.
 - b. even in wealthy countries like the United States, some people are poor.
 - c. no society can produce enough to satisfy fully the desires of people for goods and services.
 - d. sometimes shortages of a good arise when its price is set below the market equilibrium.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic
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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and

opportunity cost

TOPICS: What is Economics About?
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13. When economists say a good is scarce, they mean
- a. there are only a limited number of consumers who would be interested in purchasing the good.
 - b. the human desire for the good exceeds the amount freely available from nature.
 - c. most people in poorer countries do not have enough of the good.
 - d. the production of the good has no opportunity cost for society.

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic
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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost

TOPICS: What is Economics About?
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14. When economists say goods are scarce, they mean
- a. consumers are too poor to afford the goods and services available.
 - b. consumers are unwilling to buy goods unless they have very low prices.
 - c. goods are generally freely available from nature in most countries.
 - d. the desire for goods and services exceeds our ability to produce them with the limited resources available.

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic
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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost

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15. If scarcity were eliminated,
- a. all goods would be free.

- b. no one would have to make any choices.
- c. everyone could have all they want at no cost.
- d. all of the above are true.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic

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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost

TOPICS: What is Economics About?

KEYWORDS: Bloom's: Knowledge

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16. If a good is scarce,

- a. there will be shortages of it if the good is rationed by markets.
- b. the good will have a price in a market setting.
- c. there will be enough of the good freely available from nature to satisfy the human desire for it.
- d. all of the above are true.

ANSWER: b

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic

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17. Criteria for rationing goods and resources must be established because of

- a. the law of comparative advantage.
- b. the use of capitalism as a form of economic organization.
- c. the inability of politicians to develop efficient forms of economic organization.
- d. scarcity imposed by nature.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic

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TOPICS: What is Economics About?

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18. Every economy must ration goods in some way because of

- a. overpopulation.
- b. poorly-performing markets.
- c. the income gap between rich and poor.
- d. scarcity.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic

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19. Which of the following is true of resources?

- a. Resources are inputs used to produce goods and services.
- b. Human resources reflect the skills and productive knowledge of human beings.
- c. With the passage of time, investment activities can increase the availability of resources.
- d. All of the above are true.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic

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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost

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20. Ex-London School of Economics student Mick Jagger sang, "You can't always get what you want, but if you try sometime, you just might find you can get what you need." Another statement of the basic economic principle expressed in this lyric is that

- a. rational decisions are not always possible.
- b. you can allocate your resources to what gives you the highest value.
- c. you can create the supply to meet your own demand.
- d. you can maximize social welfare by making optimal decisions.

ANSWER: b

POINTS: 1

DIFFICULTY: Moderate

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic

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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost

TOPICS: What is Economics About?

KEYWORDS: Bloom's: Application

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21. Capital is a term economists use to refer to

- a. man-made resources used to produce other goods and services.
- b. resources that are available in nature such as mineral deposits.
- c. money that is used to consume goods and services, to distinguish it from money that is saved.
- d. the value of the best alternative to an action.

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic

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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost

TOPICS: What is Economics About?

KEYWORDS: Bloom's: Knowledge

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22. The three major categories of resources are

- a. human resources, physical resources, and natural resources.
- b. scarce resources, capital resources, and abundant resources.
- c. financial resources, global resources, and local resources.
- d. common resources, private resources, and capital resources.

ANSWER: a

POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic - BUSPROG: Analytic
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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost
TOPICS: What is Economics About?
KEYWORDS: Bloom's: Knowledge
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23. In economics, man-made resources such as tools, equipment, and structures that are used to produce other goods and services are referred to as

- a. consumer goods.
- b. capital.
- c. marginal goods.
- d. infrastructures.

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic - BUSPROG: Analytic
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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost
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KEYWORDS: Bloom's: Knowledge
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24. Which of the following best describes the difference between an objective concept and a subjective concept?

- a. A subjective concept is a fact based on observation that is not subject to personal opinion, while an objective concept is based on personal preferences and value judgments.
- b. An objective concept is a fact based on observation that is not subject to personal opinion, while a subjective concept is based on personal preferences and value judgments.
- c. A subjective concept relates to issues in microeconomics, while an objective concept relates to issues in macroeconomics.
- d. An objective concept can only be illustrated in words, while a subjective concept can usually be illustrated with a graph.

ANSWER: b
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False

NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic

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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost

TOPICS: What is Economics About?

KEYWORDS: Bloom's: Knowledge

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25. A fact based on observable phenomenon that is not influenced by differences in personal opinion is called

- a. an objective concept.
- b. a subjective concept.
- c. an unintended consequence.
- d. *ceteris paribus*.

ANSWER: a

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic

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STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and o - DISC: Scarcity, tradeoffs, and opportunity cost

TOPICS: What is Economics About?

KEYWORDS: Bloom's: Knowledge

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26. An opinion based on personal preferences and value judgments is called

- a. an objective concept.
- b. a subjective concept.
- c. an unintended consequence.
- d. *ceteris paribus*.

ANSWER: b

POINTS: 1

DIFFICULTY: Easy

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic

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TOPICS: What is Economics About?

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27. When price is the rationing criterion, individuals have a strong incentive to
- ignore the wishes of others when making decisions about how to use their resources.
 - provide services to others in exchange for income.
 - avoid exchanges because in every exchange there will be one person who gains and another who loses.
 - substitute promises for the consistent delivery of a quality product.

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic - BUSPROG: Analytic
STATE STANDARDS: United States - AK - DISC: The role of incentives
TOPICS: What is Economics About?
KEYWORDS: Bloom's: Application
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28. Economics is primarily the study of
- how to make money in the stock market.
 - how to find lower cost methods of production.
 - the choices we must make among alternatives because of scarcity.
 - the proper form of industrial structure for the United States.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
NATIONAL STANDARDS: United States - BUSPROG: Analytic - BUSPROG: Analytic
STATE STANDARDS: United States - AK - DISC: Scarcity, tradeoffs, and opportunity cost
TOPICS: What is Economics About?
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29. Which of the following are NOT scarce?
- time for leisure activities
 - computers
 - compact discs
 - the air we breathe

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

NATIONAL STANDARDS United States - BUSPROG: Analytic - BUSPROG: Analytic

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