Chapter 1

*Student: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*

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| 1. | The economic problem is essentially one of deciding how to make the best use of:

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| --- | --- |
| A.  | unlimited resources to satisfy unlimited wants |

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| --- | --- |
| B.  | limited resources to satisfy unlimited wants |

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| --- | --- |
| C.  | unlimited resources to satisfy limited wants |

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| --- | --- |
| D.  | limited resources to satisfy limited wants |

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| --- | --- |
| E.  | free resources to satisfy expensive wants |

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| 2. | Economists assume that people customarily behave rationally, meaning that people:

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| A.  | virtually always weigh the personal benefits and costs of every available action and choose an action on the basis of their individual wants |

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| --- | --- |
| B.  | act in a rational way when buying and selling products, but not in other settings |

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| --- | --- |
| C.  | act rationally when they buy products, but not when they sell them |

|  |  |
| --- | --- |
| D.  | act rationally when they sell products, but not when they buy them |

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| --- | --- |
| E.  | are unable to act in an irrational way |

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| 3. | An economist who says that consumer wants are inexhaustible means that:

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| A.  | economic resources are valuable only because they can be used to produce consumer goods |

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| --- | --- |
| B.  | economic resources—natural, capital, and human resources—are scarce |

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| --- | --- |
| C.  | consumers wants are virtually unlimited and, therefore, incapable of being fully satisfied |

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| --- | --- |
| D.  | the nature of consumer wants is highly unpredictable |

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| E.  | the nature of consumer demand varies from time to time and from country to country |

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| 4. | The fundamental problem of economics is:

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| A.  | to establish equity between personal and business taxation |

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| --- | --- |
| B.  | to establish a democratic political framework for the provision of social goods and services |

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| --- | --- |
| C.  | to establish prices that accurately reflect the relative scarcities of products and resources |

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| --- | --- |
| D.  | to achieve a fair distribution of money income to reduce poverty |

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| E.  | the scarcity of productive resources relative to consumer wants |

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| 5. | The economic problem stems from the fact that:

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| --- | --- |
| A.  | the production possibilities curve bows out to the right |

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| --- | --- |
| B.  | resources are scarce relative to people's demand for goods and services |

|  |  |
| --- | --- |
| C.  | people act to maximize their own welfare |

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| --- | --- |
| D.  | historically the production possibilities curve has been shifting down toward the origin |

|  |  |
| --- | --- |
| E.  | the production possibilities curve bows in to the left |

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| 6. | The study of economics is carried out because:

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| --- | --- |
| A.  | government interferes with the efficient distribution of scarce resources |

|  |  |
| --- | --- |
| B.  | resources are scarce in relation to consumer wants |

|  |  |
| --- | --- |
| C.  | the market system is an obstacle to the efficient use of plentiful resources to satisfy limited wants |

|  |  |
| --- | --- |
| D.  | resources are overly abundant as compared with wants and, therefore, a distribution problem exists |

|  |  |
| --- | --- |
| E.  | government aids in the efficient distribution of scarce resources |

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| 7. | The scarcity problem:

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| --- | --- |
| A.  | persists only because countries have failed to achieve continual full employment |

|  |  |
| --- | --- |
| B.  | persists because a society's consumer wants exceed its available economic resources |

|  |  |
| --- | --- |
| C.  | has been eliminated in all industrialized nations |

|  |  |
| --- | --- |
| D.  | has been eliminated in affluent societies such as Canada and the United States |

|  |  |
| --- | --- |
| E.  | is eliminated when a nation has achieved full employment |

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| 8. | Because of scarcity, the efficient use of resources is:

|  |  |
| --- | --- |
| A.  | an important economic goal in all economies |

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| --- | --- |
| B.  | an important economic goal only in command economies |

|  |  |
| --- | --- |
| C.  | an important economic goal only in market economies |

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| --- | --- |
| D.  | not an important economic goal |

|  |  |
| --- | --- |
| E.  | an important economic goal only in traditional economies |

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| 9. | As used in economics, the notion of scarcity means that:

|  |  |
| --- | --- |
| A.  | mineral deposits are available only in limited amounts |

|  |  |
| --- | --- |
| B.  | resources are not so plentiful that all consumer wants can be fulfilled |

|  |  |
| --- | --- |
| C.  | many resources are freely available |

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| --- | --- |
| D.  | the quantities available of some resources exceed the demand for them |

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| --- | --- |
| E.  | the demand for some resources is nonexistent |

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| 10. | Stocks and bonds are not considered to be an economic resource because they:

|  |  |
| --- | --- |
| A.  | sometimes fall in value |

|  |  |
| --- | --- |
| B.  | do not earn interest income |

|  |  |
| --- | --- |
| C.  | are available in unlimited quantities |

|  |  |
| --- | --- |
| D.  | are not free gifts of nature |

|  |  |
| --- | --- |
| E.  | do not add to the economy's stock of real capital |

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| 11. | The money payments made to owners of human resources are:

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| --- | --- |
| A.  | wages, salaries, or interest |

|  |  |
| --- | --- |
| B.  | wages, salaries, or rent |

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| --- | --- |
| C.  | interest or profit |

|  |  |
| --- | --- |
| D.  | wages, salaries, or profit |

|  |  |
| --- | --- |
| E.  | rent or profit |

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| 12. | Economic resources do NOT include:

|  |  |
| --- | --- |
| A.  | natural resources |

|  |  |
| --- | --- |
| B.  | real capital assets |

|  |  |
| --- | --- |
| C.  | human effort |

|  |  |
| --- | --- |
| D.  | stocks and bonds |

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| --- | --- |
| E.  | human ingenuity |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. | Which of the following is a capital resource?

|  |  |
| --- | --- |
| A.  | a pair of stockings |

|  |  |
| --- | --- |
| B.  | a dump truck |

|  |  |
| --- | --- |
| C.  | a savings account |

|  |  |
| --- | --- |
| D.  | a share of IBM stock |

|  |  |
| --- | --- |
| E.  | a Bell Canada bond |

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| 14. | The role of the entrepreneur involves:

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| --- | --- |
| A.  | waiting for leadership |

|  |  |
| --- | --- |
| B.  | manual labour |

|  |  |
| --- | --- |
| C.  | bearing risks |

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| --- | --- |
| D.  | hiring chartered accountants to make business decisions for them |

|  |  |
| --- | --- |
| E.  | acting as a landowner |

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| 15. | Economics can best be described as the study of how:

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| --- | --- |
| A.  | to profitably to invest one's income in stocks and bonds |

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| --- | --- |
| B.  | to manage household expenses |

|  |  |
| --- | --- |
| C.  | government policies affect businesses and labour |

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| --- | --- |
| D.  | to manage business enterprises for profit |

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| --- | --- |
| E.  | to distribute limited resources among alternative ends |

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| 16. | Economics is primarily the study of:

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| --- | --- |
| A.  | why resources are scarce |

|  |  |
| --- | --- |
| B.  | how advertising and sales promotion shape consumer wants |

|  |  |
| --- | --- |
| C.  | how to make profitable investments |

|  |  |
| --- | --- |
| D.  | how to use scarce resources among alternative ends |

|  |  |
| --- | --- |
| E.  | why consumer wants are unlimited |

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| 17. | Microeconomics is concerned with the:

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| --- | --- |
| A.  | total levels of income, employment, and output |

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| --- | --- |
| B.  | behaviour of individual participants in various markets |

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| --- | --- |
| C.  | causes of inflation and unemployment |

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| --- | --- |
| D.  | overall view of the operation of the economic system |

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| --- | --- |
| E.  | way governments can stabilize the economy |

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| 18. | Which of the following is a microeconomic statement?

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| --- | --- |
| A.  | Total economic output increased by 2.5 percent last year. |

|  |  |
| --- | --- |
| B.  | Unemployment was 9.8 percent of the labour force last year. |

|  |  |
| --- | --- |
| C.  | The price of wheat declined last year. |

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| --- | --- |
| D.  | The general price level increased by 4 percent last year. |

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| E.  | Business investment decreased by 2 percent last year. |

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| 19. | Macroeconomics approaches the study of economics from the viewpoint of:

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| --- | --- |
| A.  | individual producers |

|  |  |
| --- | --- |
| B.  | governmental units |

|  |  |
| --- | --- |
| C.  | specific product and resource markets |

|  |  |
| --- | --- |
| D.  | individual consumers |

|  |  |
| --- | --- |
| E.  | entire economic sectors |

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| 20. | Which of the following is a macroeconomic statement?

|  |  |
| --- | --- |
| A.  | The gross profits of all Canadian businesses were $60 billion last year. |

|  |  |
| --- | --- |
| B.  | The price of computers declined by 3 percent last year. |

|  |  |
| --- | --- |
| C.  | Bombardier's profits decreased last year. |

|  |  |
| --- | --- |
| D.  | The productivity of Canadian steelworkers increased by 1 percent last year. |

|  |  |
| --- | --- |
| E.  | The prices of science and technology stock rose by 10 percent last year. |

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| 21. | Economic models:

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| --- | --- |
| A.  | are useless because they are not based upon laboratory experiments |

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| --- | --- |
| B.  | deal with a multitude of details |

|  |  |
| --- | --- |
| C.  | are generalizations of economic reality |

|  |  |
| --- | --- |
| D.  | are abstractions of reality and are, therefore, of no use to economists |

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| --- | --- |
| E.  | are more effective the more complex they are |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. | Economic models:

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| --- | --- |
| A.  | are of limited use because they cannot be tested empirically |

|  |  |
| --- | --- |
| B.  | are limited to variables that are directly related to one another |

|  |  |
| --- | --- |
| C.  | emphasize basic economic relationships by abstracting from the complexities of the real world |

|  |  |
| --- | --- |
| D.  | are unrealistic and are, therefore, of no practical consequence |

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| --- | --- |
| E.  | are often illogical, but are sometimes useful |

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| 23. | Which of the following is a correct statement?

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| --- | --- |
| A.  | Economics is concerned only with explaining the way that economies actually operate and not with how they should operate. |

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| --- | --- |
| B.  | Though not quantitatively exact, economic laws are useful because they allow us to predict and, therefore, to control or to adjust to events. |

|  |  |
| --- | --- |
| C.  | Economics is as scientific as physics and chemistry because economic laws are as quantitatively precise as the laws of physics or chemistry. |

|  |  |
| --- | --- |
| D.  | Because economics is concerned with questions of "ought," it is a branch of applied ethics and not scientific. |

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| --- | --- |
| E.  | Economics is concerned with how economies should operate and not with how they do operate. |

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| 24. | An economic model usually includes:

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| --- | --- |
| A.  | neither independent nor dependent variables |

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| --- | --- |
| B.  | only a dependent variable and no independent variables |

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| --- | --- |
| C.  | the proposition that no relationship exists between various factors |

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| --- | --- |
| D.  | only an independent variable and no dependent variables |

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| --- | --- |
| E.  | two or more factors that have measurable values |

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| 25. | Which of the following statements is correct?

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| --- | --- |
| A.  | The value of the independent variable is determined by the value of the dependent variable. |

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| --- | --- |
| B.  | The value of the dependent variable is determined by the value of the independent variable. |

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| --- | --- |
| C.  | The dependent variable designates the "cause" and the independent variable the "effect." |

|  |  |
| --- | --- |
| D.  | There is no cause and effect relationship between an independent and dependent variable. |

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| --- | --- |
| E.  | There is only a cause and effect relationship between two dependent variables. |

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| 26. | If we say that two variables are directly related, this means that:

|  |  |
| --- | --- |
| A.  | the relationship between the two is purely random |

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| --- | --- |
| B.  | an increase in one variable is associated with a decrease in the other variable |

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| --- | --- |
| C.  | an increase in one variable is associated with an increase in the other variable |

|  |  |
| --- | --- |
| D.  | an increase in one variable is associated with no change in the other variable |

|  |  |
| --- | --- |
| E.  | there is no relationship between the two variables |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. | If we say that two variables are inversely related, this means that:

|  |  |
| --- | --- |
| A.  | there is no relationship between the two variables |

|  |  |
| --- | --- |
| B.  | an increase in one variable is associated with a decrease in the other variable |

|  |  |
| --- | --- |
| C.  | an increase in one variable is associated with an increase in the other variable |

|  |  |
| --- | --- |
| D.  | an increase in one variable is associated with no change in the other variable |

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| --- | --- |
| E.  | the resulting relationship can be portrayed by a straight line parallel to the horizontal axis |

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| 28. | Consider the following table:These data suggest that:

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| --- | --- |
| A.  | consumption varies inversely with after-tax incomes |

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| --- | --- |
| B.  | consumption varies directly with after-tax incomes |

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| --- | --- |
| C.  | consumption and after-tax income are unrelated |

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| --- | --- |
| D.  | a tax increase will increase consumption |

|  |  |
| --- | --- |
| E.  | a tax decrease will decrease consumption |

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| 29. | If an inverse relationship exists between x and y, then a(n):

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| --- | --- |
| A.  | increase in x will not affect y |

|  |  |
| --- | --- |
| B.  | decrease in x will cause y to decrease |

|  |  |
| --- | --- |
| C.  | increase in y will cause x to increase |

|  |  |
| --- | --- |
| D.  | increase in x will cause y to decrease |

|  |  |
| --- | --- |
| E.  | an increase in y will not affect x |

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| 30. | Ceteris paribus means that:

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| --- | --- |
| A.  | if event A precedes event B, A has caused B |

|  |  |
| --- | --- |
| B.  | economics deals with facts, not values |

|  |  |
| --- | --- |
| C.  | if event A happens then event B cannot happen |

|  |  |
| --- | --- |
| D.  | prosperity inevitably follows recession |

|  |  |
| --- | --- |
| E.  | all other things remain the same |

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| 31. | The basic purpose of the ceteris paribus assumption is to:

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| A.  | isolate the relationship between two variables by assuming all other factors remain constant |

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| --- | --- |
| B.  | allow one to focus upon micro variables by ignoring macro variables |

|  |  |
| --- | --- |
| C.  | allow one to focus upon macro variables by ignoring micro variables |

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| --- | --- |
| D.  | determine whether x causes y or vice versa |

|  |  |
| --- | --- |
| E.  | determine whether two variables are directly or inversely related |

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| 32. | Suppose an economist says "Ceteris paribus, the lower the price of the breakfast cereal, Wheaties, the larger the amount of Wheaties purchased." This statement indicates that:

|  |  |
| --- | --- |
| A.  | the quantity of Wheaties purchased determines the price of Wheaties |

|  |  |
| --- | --- |
| B.  | all factors other than the price of Wheaties (for example, consumer preferences and incomes) are assumed to be constant |

|  |  |
| --- | --- |
| C.  | economists can conduct controlled laboratory experiments |

|  |  |
| --- | --- |
| D.  | one cannot generalize about the relationship between the price of Wheaties and quantity purchased |

|  |  |
| --- | --- |
| E.  | the price and quantity demanded of Wheaties are directly related |

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| 33. | A positive statement is one that:

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| --- | --- |
| A.  | outlines a direct relationship between two variables |

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| --- | --- |
| B.  | outlines an inverse relationship between two variables |

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| --- | --- |
| C.  | is subjective and is, therefore, based upon a value judgement |

|  |  |
| --- | --- |
| D.  | is necessarily true |

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| --- | --- |
| E.  | is objective and is, therefore, based upon facts |

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| 34. | Which of the following is a positive statement?

|  |  |
| --- | --- |
| A.  | The humidity is too high today. |

|  |  |
| --- | --- |
| B.  | It is too hot to jog today. |

|  |  |
| --- | --- |
| C.  | The temperature is 22°C. |

|  |  |
| --- | --- |
| D.  | I enjoy summer evenings when it cools off. |

|  |  |
| --- | --- |
| E.  | I dislike humid nights. |

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| 35. | Normative statements are concerned with:

|  |  |
| --- | --- |
| A.  | facts and theories |

|  |  |
| --- | --- |
| B.  | what ought to be |

|  |  |
| --- | --- |
| C.  | what is |

|  |  |
| --- | --- |
| D.  | rational choice involving costs and benefits |

|  |  |
| --- | --- |
| E.  | what can never be |

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| 36. | Which of the following is a normative statement?

|  |  |
| --- | --- |
| A.  | The temperature is high today. |

|  |  |
| --- | --- |
| B.  | The humidity is high today. |

|  |  |
| --- | --- |
| C.  | It is too hot to play tennis today. |

|  |  |
| --- | --- |
| D.  | It will cool off later this evening. |

|  |  |
| --- | --- |
| E.  | I think it will be hot today. |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 37. | A product has utility if it:

|  |  |
| --- | --- |
| A.  | takes more and more resources to produce successive units of it |

|  |  |
| --- | --- |
| B.  | can be produced in unlimited quantities |

|  |  |
| --- | --- |
| C.  | satisfies consumer wants |

|  |  |
| --- | --- |
| D.  | is useful |

|  |  |
| --- | --- |
| E.  | is available in only limited quantities |

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|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 38. | Utility refers to the:

|  |  |
| --- | --- |
| A.  | extent to which a product can be used as a capital resource |

|  |  |
| --- | --- |
| B.  | opportunity cost of a product |

|  |  |
| --- | --- |
| C.  | relative scarcity of a product |

|  |  |
| --- | --- |
| D.  | usefulness of a product |

|  |  |
| --- | --- |
| E.  | satisfaction that a consumer derives from a good or service |

 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 39. | To maximize utility, a consumer who derives greater satisfaction from writing music than from studying drama will choose to:

|  |  |
| --- | --- |
| A.  | study music |

|  |  |
| --- | --- |
| B.  | study drama |

|  |  |
| --- | --- |
| C.  | write plays |

|  |  |
| --- | --- |
| D.  | write music |

|  |  |
| --- | --- |
| E.  | both write music and study drama |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 40. | Which of the following expressions best states the idea of opportunity cost?

|  |  |
| --- | --- |
| A.  | "A penny saved is a penny earned." |

|  |  |
| --- | --- |
| B.  | "He who hesitates is lost." |

|  |  |
| --- | --- |
| C.  | "There is no such thing as a free lunch." |

|  |  |
| --- | --- |
| D.  | "All that glitters is not gold." |

|  |  |
| --- | --- |
| E.  | "Watch the pennies, and the pounds will look after themselves." |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 41. | The notion of opportunity cost:

|  |  |
| --- | --- |
| A.  | applies to consumers, but not to businesses |

|  |  |
| --- | --- |
| B.  | applies to businesses, but not to consumers |

|  |  |
| --- | --- |
| C.  | is relevant to economies of all ideological persuasions |

|  |  |
| --- | --- |
| D.  | would disappear if we were able to eliminate poverty |

|  |  |
| --- | --- |
| E.  | does not apply to governments |

 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 42. | The concept of opportunity cost:

|  |  |
| --- | --- |
| A.  | is irrelevant in command economies because of central planning |

|  |  |
| --- | --- |
| B.  | suggests that resources are often unlimited in quantity |

|  |  |
| --- | --- |
| C.  | is irrelevant if the production possibilities curve is shifting to the right |

|  |  |
| --- | --- |
| D.  | suggests that inexhaustible wants can be fulfilled |

|  |  |
| --- | --- |
| E.  | suggests that the use of resources in any particular line of production means that alternative outputs must be forgone |

 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 43. | Which of the following is not an illustration of the notion of opportunity cost?

|  |  |
| --- | --- |
| A.  | A growing economy can produce more ice cream and more ice cream cones at the same time. |

|  |  |
| --- | --- |
| B.  | If I buy a pizza, I will not be able to afford a movie. |

|  |  |
| --- | --- |
| C.  | Resources devoted to the production of computers are not available for the production of computer software. |

|  |  |
| --- | --- |
| D.  | The land on which a Saskatchewan farmer plants wheat is not available for barley production. |

|  |  |
| --- | --- |
| E.  | The more time it takes to commute to work, the less time is available for other activities. |

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|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 44. | The notion of opportunity cost is best defined as:

|  |  |
| --- | --- |
| A.  | the monetary price of any productive resource |

|  |  |
| --- | --- |
| B.  | the amount of labour that must be used to produce one unit of any product |

|  |  |
| --- | --- |
| C.  | the monetary price of any product |

|  |  |
| --- | --- |
| D.  | the utility that could have been gained by choosing an action's best alternative |

|  |  |
| --- | --- |
| E.  | the number of units of a product that are available to be purchased |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 45. | The production possibilities curve illustrates the basic principle that:

|  |  |
| --- | --- |
| A.  | the production of more of any one item will in time require smaller and smaller sacrifices of other items |

|  |  |
| --- | --- |
| B.  | an economy automatically seeks that level of output that employs all of its resources |

|  |  |
| --- | --- |
| C.  | if all the resources of an economy are fully used, more of one item could be produced only if less of another item is produced |

|  |  |
| --- | --- |
| D.  | any production point below the curve reflects high opportunity cost |

|  |  |
| --- | --- |
| E.  | any production point above the curve reflects low opportunity cost |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 46. | A total output of 3 TVs and 4 stereos:

|  |  |
| --- | --- |
| A.  | would never be chosen because the economy is capable of producing a larger total output |

|  |  |
| --- | --- |
| B.  | represents the full employment of available resources |

|  |  |
| --- | --- |
| C.  | involves the employment of an economy's scarce resources at less than their full capacity |

|  |  |
| --- | --- |
| D.  | is unobtainable in this economy |

|  |  |
| --- | --- |
| E.  | would always be chosen because this is the product combination that gives the economy's citizens the most satisfaction |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 47. | To produce a total output of 3 TVs and 13 stereos, this economy must:

|  |  |
| --- | --- |
| A.  | undergo an outward shift in its production possibilities curve |

|  |  |
| --- | --- |
| B.  | ignore the notion of opportunity cost |

|  |  |
| --- | --- |
| C.  | distribute its available resources more efficiently among alternative uses |

|  |  |
| --- | --- |
| D.  | achieve the full employment of available resources |

|  |  |
| --- | --- |
| E.  | leave some of its available resources idle |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 48. | Assume that a change in government policy results in the increased production of all types of products. It can be concluded that the:

|  |  |
| --- | --- |
| A.  | economy was not fully employing its resources before the policy change |

|  |  |
| --- | --- |
| B.  | economy's production possibilities curve has shifted to the left as a result of the policy change |

|  |  |
| --- | --- |
| C.  | economy's production possibilities curve does not bow out to the right |

|  |  |
| --- | --- |
| D.  | law of increasing opportunity costs does not apply in this society |

|  |  |
| --- | --- |
| E.  | economy's resources are freely available |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 49. | The production possibilities curve:

|  |  |
| --- | --- |
| A.  | shows all levels of production that are consistent with a stable price level |

|  |  |
| --- | --- |
| B.  | indicates that any combination of products lying outside the curve is undesirable |

|  |  |
| --- | --- |
| C.  | shows how an economy actually employs its resources |

|  |  |
| --- | --- |
| D.  | shows all combinations of products that are most preferred by consumers |

|  |  |
| --- | --- |
| E.  | is a frontier between all combinations of products that can be produced and those combinations that cannot be produced |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 50. | Any point inside the production possibilities curve indicates:

|  |  |
| --- | --- |
| A.  | that resources are imperfectly shiftable among alternative uses |

|  |  |
| --- | --- |
| B.  | the presence of inflationary pressures |

|  |  |
| --- | --- |
| C.  | that more output could be produced with available resources |

|  |  |
| --- | --- |
| D.  | that the economy is saving a part of its income |

|  |  |
| --- | --- |
| E.  | that some of an economy's potential output is not desired by consumers |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 51. | At the end of World War II, Canada's economic adjustment from wartime to peacetime can best be described by the movement from:

|  |  |
| --- | --- |
| A.  | point a to point b |

|  |  |
| --- | --- |
| B.  | point a to point c |

|  |  |
| --- | --- |
| C.  | point b to point c |

|  |  |
| --- | --- |
| D.  | point b to point d |

|  |  |
| --- | --- |
| E.  | point c to point b |

 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 52. | Consider the following two tables.  Suppose that North Cantina is producing 2 hamburgers and 17 hot dogs while South Cantina is producing 2 hamburgers and 21 hot dogs. We can conclude that:

|  |  |
| --- | --- |
| A.  | North Cantina is fully employing its resources but South Cantina is not |

|  |  |
| --- | --- |
| B.  | South Cantina is fully employing its resources but North Cantina is not |

|  |  |
| --- | --- |
| C.  | neither South Cantina nor North Cantina is fully employing its resources |

|  |  |
| --- | --- |
| D.  | both South Cantina and North Cantina are fully employing their resources |

|  |  |
| --- | --- |
| E.  | resources are perfectly shiftable between hotdogs and hamburgers |

 |

|  |  |
| --- | --- |
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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 53. | The shape of each production possibilities curve:

|  |  |
| --- | --- |
| A.  | indicates that resources shift perfectly from one use to another |

|  |  |
| --- | --- |
| B.  | indicates that resources are virtually unlimited |

|  |  |
| --- | --- |
| C.  | indicates that prices are constant |

|  |  |
| --- | --- |
| D.  | illustrates the law of increasing opportunity costs |

|  |  |
| --- | --- |
| E.  | shows that consumer wants are variable |

 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 54. | The concept of opportunity cost is best represented by the:

|  |  |
| --- | --- |
| A.  | shift of the production possibilities curve from PP1 to PP2 |

|  |  |
| --- | --- |
| B.  | move from point B on PP1 to point E on PP2 |

|  |  |
| --- | --- |
| C.  | move from point E on PP2 to point A on PP1 |

|  |  |
| --- | --- |
| D.  | move from point D inside PP1 to point B on PP1 |

|  |  |
| --- | --- |
| E.  | move from point B to point C along PP1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 55. | An improvement in technology could be expected to:

|  |  |
| --- | --- |
| A.  | shift the production possibilities curve from PP1 to PP2 |

|  |  |
| --- | --- |
| B.  | shift the production possibilities curve from PP2 to PP1 |

|  |  |
| --- | --- |
| C.  | move the economy from point A to point C along PP1 |

|  |  |
| --- | --- |
| D.  | move the economy from points A, B, or C on PP1 to point D inside PP1 |

|  |  |
| --- | --- |
| E.  | move the economy from point C to point A along PP1 |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 56. | Which one of the following would shift the production possibilities curve from PP1 to PP2?

|  |  |
| --- | --- |
| A.  | the immigration of skilled workers into the economy |

|  |  |
| --- | --- |
| B.  | a worsening of diseases such as AIDS |

|  |  |
| --- | --- |
| C.  | an increase in consumer prices |

|  |  |
| --- | --- |
| D.  | a reduction in hourly wages |

|  |  |
| --- | --- |
| E.  | a change in consumer preferences |

 |

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| --- | --- |
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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 57. | Points A, B, C, D, and E show:

|  |  |
| --- | --- |
| A.  | that the opportunity cost of bicycles increases while that of computers is constant |

|  |  |
| --- | --- |
| B.  | combinations of bicycles and computers that a society can produce by fully employing its resources |

|  |  |
| --- | --- |
| C.  | that the opportunity cost of computers increases while that of bicycles is constant |

|  |  |
| --- | --- |
| D.  | that the demand for computers is greater than the demand for bicycles |

|  |  |
| --- | --- |
| E.  | that the opportunity cost of both bicycles and computers are constant |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 58. | If a society is currently producing 9 bicycles and 4 computers, the decision to increase computer output to 6 costs:

|  |  |
| --- | --- |
| A.  | 4 bicycles |

|  |  |
| --- | --- |
| B.  | 2 bicycles |

|  |  |
| --- | --- |
| C.  | 5 bicycles |

|  |  |
| --- | --- |
| D.  | zero because unemployed resources are available |

|  |  |
| --- | --- |
| E.  | irrelevant because this decision is inconsistent with consumer preferences |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 59. | If a society is currently producing the combination of bicycles and computers shown by point D, the production of 2 more bicycles:

|  |  |
| --- | --- |
| A.  | cannot be realized because resources are fully employed |

|  |  |
| --- | --- |
| B.  | costs 1 computer |

|  |  |
| --- | --- |
| C.  | costs 2 computers |

|  |  |
| --- | --- |
| D.  | means that some resources are not fully employed |

|  |  |
| --- | --- |
| E.  | costs 6 computers |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 60. | The law of increasing opportunity costs is reflected in a production possibilities curve that:

|  |  |
| --- | --- |
| A.  | is an upward-sloping straight line |

|  |  |
| --- | --- |
| B.  | is a downward-sloping straight line |

|  |  |
| --- | --- |
| C.  | bows in to the left |

|  |  |
| --- | --- |
| D.  | is any shape |

|  |  |
| --- | --- |
| E.  | bows out to the right |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 61. | The problem of economic scarcity forces every country to determine:

|  |  |
| --- | --- |
| A.  | the shape of its production possibilities curve |

|  |  |
| --- | --- |
| B.  | the amount of economic resources that can be employed in production |

|  |  |
| --- | --- |
| C.  | what, how, and for whom to produce |

|  |  |
| --- | --- |
| D.  | the ways that individuals can pursue their own self-interest |

|  |  |
| --- | --- |
| E.  | how to plan to overcome scarcity |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 62. | The two basic markets shown by the simple circular flow diagram are:

|  |  |
| --- | --- |
| A.  | capital goods and consumer goods |

|  |  |
| --- | --- |
| B.  | free and controlled |

|  |  |
| --- | --- |
| C.  | product and resource |

|  |  |
| --- | --- |
| D.  | household and business |

|  |  |
| --- | --- |
| E.  | government and private |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 63. | In the product market:

|  |  |
| --- | --- |
| A.  | businesses sell economic resources to households |

|  |  |
| --- | --- |
| B.  | businesses sell consumer products to households |

|  |  |
| --- | --- |
| C.  | businesses buy consumer products from households |

|  |  |
| --- | --- |
| D.  | businesses buy economic resources from households |

|  |  |
| --- | --- |
| E.  | business and households both sell consumer products to each other |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 64. | The economy of India most closely approximates a:

|  |  |
| --- | --- |
| A.  | traditional mixed economy |

|  |  |
| --- | --- |
| B.  | market economy |

|  |  |
| --- | --- |
| C.  | command economy |

|  |  |
| --- | --- |
| D.  | modern mixed economy |

|  |  |
| --- | --- |
| E.  | traditional economy |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 65. | Between the early 1990s and late 2000s, India's and China's economies steadily grew by annual average of:

|  |  |
| --- | --- |
| A.  | 4 percent and 6 percent respectively |

|  |  |
| --- | --- |
| B.  | 6 percent and 8 percent respectively |

|  |  |
| --- | --- |
| C.  | 8 percent and 10 percent respectively |

|  |  |
| --- | --- |
| D.  | 10 percent and 12 percent respectively |

|  |  |
| --- | --- |
| E.  | 12 percent and 14 percent respectively |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 66. | Modern mixed economy refers to an economy:

|  |  |
| --- | --- |
| A.  | with both product and resource markets |

|  |  |
| --- | --- |
| B.  | that engages in both domestic and international trade |

|  |  |
| --- | --- |
| C.  | with both private and public sectors |

|  |  |
| --- | --- |
| D.  | that functions primarily on the basis of custom and tradition |

|  |  |
| --- | --- |
| E.  | that operates on the basis of central planning |

 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 67. | The Canadian economy most closely approximates a:

|  |  |
| --- | --- |
| A.  | traditional mixed economy |

|  |  |
| --- | --- |
| B.  | market economy |

|  |  |
| --- | --- |
| C.  | command economy |

|  |  |
| --- | --- |
| D.  | modern mixed economy |

|  |  |
| --- | --- |
| E.  | traditional economy |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 68. | The unemployment rate includes:

|  |  |
| --- | --- |
| A.  | pensioners |

|  |  |
| --- | --- |
| B.  | homemakers |

|  |  |
| --- | --- |
| C.  | brewery workers who have been laid off recently |

|  |  |
| --- | --- |
| D.  | students working part-time at a grocery store |

|  |  |
| --- | --- |
| E.  | young children |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 69. | The Kyoto Protocol:

|  |  |
| --- | --- |
| A.  | aimed to increase emissions of so-called greenhouse gases, in particular carbon dioxide |

|  |  |
| --- | --- |
| B.  | was signed by over 170 countries, including Canada |

|  |  |
| --- | --- |
| C.  | ensured that all countries in the world cut greenhouse gases until 2012 |

|  |  |
| --- | --- |
| D.  | requirements were met by Canada, but by few other countries |

|  |  |
| --- | --- |
| E.  | imposed a global carbon tax |

 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 70. | The achievement of full employment frequently conflicts with the economic goal of:

|  |  |
| --- | --- |
| A.  | economic efficiency |

|  |  |
| --- | --- |
| B.  | economic growth |

|  |  |
| --- | --- |
| C.  | income equity |

|  |  |
| --- | --- |
| D.  | a viable balance of payments |

|  |  |
| --- | --- |
| E.  | price stability |

 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 71. | According to Adam Smith, the most significant single cause of economic progress has been:

|  |  |
| --- | --- |
| A.  | the increase in the fertility of land used in agriculture |

|  |  |
| --- | --- |
| B.  | the use of more specialized forms of machinery in manufacturing |

|  |  |
| --- | --- |
| C.  | a more educated workforce |

|  |  |
| --- | --- |
| D.  | the division of labour |

|  |  |
| --- | --- |
| E.  | the rise of large companies that dominate particular industries |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 72. | Laissez-faire suggests that:

|  |  |
| --- | --- |
| A.  | land and other natural resources should be privately owned but capital should be owned by the government |

|  |  |
| --- | --- |
| B.  | land and other natural resources should be owned by the government but capital should be privately owned |

|  |  |
| --- | --- |
| C.  | government should not interfere with the operation of the economy |

|  |  |
| --- | --- |
| D.  | government action is necessary if the economy is to achieve full employment |

|  |  |
| --- | --- |
| E.  | government policies are needed to deal with environmental damage |

 |

Chapter 1 Key

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. | The economic problem is essentially one of deciding how to make the best use of:

|  |  |
| --- | --- |
| A.  | unlimited resources to satisfy unlimited wants |

|  |  |
| --- | --- |
| **B.**  | limited resources to satisfy unlimited wants |

|  |  |
| --- | --- |
| C.  | unlimited resources to satisfy limited wants |

|  |  |
| --- | --- |
| D.  | limited resources to satisfy limited wants |

|  |  |
| --- | --- |
| E.  | free resources to satisfy expensive wants |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #1Topic: 01-02 The Economic ProblemType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2. | Economists assume that people customarily behave rationally, meaning that people:

|  |  |
| --- | --- |
| **A.**  | virtually always weigh the personal benefits and costs of every available action and choose an action on the basis of their individual wants |

|  |  |
| --- | --- |
| B.  | act in a rational way when buying and selling products, but not in other settings |

|  |  |
| --- | --- |
| C.  | act rationally when they buy products, but not when they sell them |

|  |  |
| --- | --- |
| D.  | act rationally when they sell products, but not when they buy them |

|  |  |
| --- | --- |
| E.  | are unable to act in an irrational way |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #2Topic: 01-02 The Economic ProblemType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. | An economist who says that consumer wants are inexhaustible means that:

|  |  |
| --- | --- |
| A.  | economic resources are valuable only because they can be used to produce consumer goods |

|  |  |
| --- | --- |
| B.  | economic resources—natural, capital, and human resources—are scarce |

|  |  |
| --- | --- |
| **C.**  | consumers wants are virtually unlimited and, therefore, incapable of being fully satisfied |

|  |  |
| --- | --- |
| D.  | the nature of consumer wants is highly unpredictable |

|  |  |
| --- | --- |
| E.  | the nature of consumer demand varies from time to time and from country to country |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #3Topic: 01-02 The Economic ProblemType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 4. | The fundamental problem of economics is:

|  |  |
| --- | --- |
| A.  | to establish equity between personal and business taxation |

|  |  |
| --- | --- |
| B.  | to establish a democratic political framework for the provision of social goods and services |

|  |  |
| --- | --- |
| C.  | to establish prices that accurately reflect the relative scarcities of products and resources |

|  |  |
| --- | --- |
| D.  | to achieve a fair distribution of money income to reduce poverty |

|  |  |
| --- | --- |
| **E.**  | the scarcity of productive resources relative to consumer wants |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #4Topic: 01-02 The Economic ProblemType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. | The economic problem stems from the fact that:

|  |  |
| --- | --- |
| A.  | the production possibilities curve bows out to the right |

|  |  |
| --- | --- |
| **B.**  | resources are scarce relative to people's demand for goods and services |

|  |  |
| --- | --- |
| C.  | people act to maximize their own welfare |

|  |  |
| --- | --- |
| D.  | historically the production possibilities curve has been shifting down toward the origin |

|  |  |
| --- | --- |
| E.  | the production possibilities curve bows in to the left |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #5Topic: 01-02 The Economic ProblemType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. | The study of economics is carried out because:

|  |  |
| --- | --- |
| A.  | government interferes with the efficient distribution of scarce resources |

|  |  |
| --- | --- |
| **B.**  | resources are scarce in relation to consumer wants |

|  |  |
| --- | --- |
| C.  | the market system is an obstacle to the efficient use of plentiful resources to satisfy limited wants |

|  |  |
| --- | --- |
| D.  | resources are overly abundant as compared with wants and, therefore, a distribution problem exists |

|  |  |
| --- | --- |
| E.  | government aids in the efficient distribution of scarce resources |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #6Topic: 01-02 The Economic ProblemType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. | The scarcity problem:

|  |  |
| --- | --- |
| A.  | persists only because countries have failed to achieve continual full employment |

|  |  |
| --- | --- |
| **B.**  | persists because a society's consumer wants exceed its available economic resources |

|  |  |
| --- | --- |
| C.  | has been eliminated in all industrialized nations |

|  |  |
| --- | --- |
| D.  | has been eliminated in affluent societies such as Canada and the United States |

|  |  |
| --- | --- |
| E.  | is eliminated when a nation has achieved full employment |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #7Topic: 01-02 The Economic ProblemType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. | Because of scarcity, the efficient use of resources is:

|  |  |
| --- | --- |
| **A.**  | an important economic goal in all economies |

|  |  |
| --- | --- |
| B.  | an important economic goal only in command economies |

|  |  |
| --- | --- |
| C.  | an important economic goal only in market economies |

|  |  |
| --- | --- |
| D.  | not an important economic goal |

|  |  |
| --- | --- |
| E.  | an important economic goal only in traditional economies |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #8Topic: 01-02 The Economic ProblemType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. | As used in economics, the notion of scarcity means that:

|  |  |
| --- | --- |
| A.  | mineral deposits are available only in limited amounts |

|  |  |
| --- | --- |
| **B.**  | resources are not so plentiful that all consumer wants can be fulfilled |

|  |  |
| --- | --- |
| C.  | many resources are freely available |

|  |  |
| --- | --- |
| D.  | the quantities available of some resources exceed the demand for them |

|  |  |
| --- | --- |
| E.  | the demand for some resources is nonexistent |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #9Topic: 01-02 The Economic ProblemType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. | Stocks and bonds are not considered to be an economic resource because they:

|  |  |
| --- | --- |
| A.  | sometimes fall in value |

|  |  |
| --- | --- |
| B.  | do not earn interest income |

|  |  |
| --- | --- |
| C.  | are available in unlimited quantities |

|  |  |
| --- | --- |
| D.  | are not free gifts of nature |

|  |  |
| --- | --- |
| **E.**  | do not add to the economy's stock of real capital |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #10Topic: 01-02 The Economic ProblemType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. | The money payments made to owners of human resources are:

|  |  |
| --- | --- |
| A.  | wages, salaries, or interest |

|  |  |
| --- | --- |
| B.  | wages, salaries, or rent |

|  |  |
| --- | --- |
| C.  | interest or profit |

|  |  |
| --- | --- |
| **D.**  | wages, salaries, or profit |

|  |  |
| --- | --- |
| E.  | rent or profit |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #11Topic: 01-02 The Economic ProblemType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. | Economic resources do NOT include:

|  |  |
| --- | --- |
| A.  | natural resources |

|  |  |
| --- | --- |
| B.  | real capital assets |

|  |  |
| --- | --- |
| C.  | human effort |

|  |  |
| --- | --- |
| **D.**  | stocks and bonds |

|  |  |
| --- | --- |
| E.  | human ingenuity |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #12Topic: 01-02 The Economic ProblemType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. | Which of the following is a capital resource?

|  |  |
| --- | --- |
| A.  | a pair of stockings |

|  |  |
| --- | --- |
| **B.**  | a dump truck |

|  |  |
| --- | --- |
| C.  | a savings account |

|  |  |
| --- | --- |
| D.  | a share of IBM stock |

|  |  |
| --- | --- |
| E.  | a Bell Canada bond |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #13Topic: 01-02 The Economic ProblemType: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 14. | The role of the entrepreneur involves:

|  |  |
| --- | --- |
| A.  | waiting for leadership |

|  |  |
| --- | --- |
| B.  | manual labour |

|  |  |
| --- | --- |
| **C.**  | bearing risks |

|  |  |
| --- | --- |
| D.  | hiring chartered accountants to make business decisions for them |

|  |  |
| --- | --- |
| E.  | acting as a landowner |

 |

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| --- |
| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #14Topic: 01-02 The Economic ProblemType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 15. | Economics can best be described as the study of how:

|  |  |
| --- | --- |
| A.  | to profitably to invest one's income in stocks and bonds |

|  |  |
| --- | --- |
| B.  | to manage household expenses |

|  |  |
| --- | --- |
| C.  | government policies affect businesses and labour |

|  |  |
| --- | --- |
| D.  | to manage business enterprises for profit |

|  |  |
| --- | --- |
| **E.**  | to distribute limited resources among alternative ends |

 |

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| --- |
| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #15Topic: 01-03 Economics DefinedType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16. | Economics is primarily the study of:

|  |  |
| --- | --- |
| A.  | why resources are scarce |

|  |  |
| --- | --- |
| B.  | how advertising and sales promotion shape consumer wants |

|  |  |
| --- | --- |
| C.  | how to make profitable investments |

|  |  |
| --- | --- |
| **D.**  | how to use scarce resources among alternative ends |

|  |  |
| --- | --- |
| E.  | why consumer wants are unlimited |

 |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #16Topic: 01-03 Economics DefinedType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. | Microeconomics is concerned with the:

|  |  |
| --- | --- |
| A.  | total levels of income, employment, and output |

|  |  |
| --- | --- |
| **B.**  | behaviour of individual participants in various markets |

|  |  |
| --- | --- |
| C.  | causes of inflation and unemployment |

|  |  |
| --- | --- |
| D.  | overall view of the operation of the economic system |

|  |  |
| --- | --- |
| E.  | way governments can stabilize the economy |

 |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #17Topic: 01-03 Economics DefinedType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. | Which of the following is a microeconomic statement?

|  |  |
| --- | --- |
| A.  | Total economic output increased by 2.5 percent last year. |

|  |  |
| --- | --- |
| B.  | Unemployment was 9.8 percent of the labour force last year. |

|  |  |
| --- | --- |
| **C.**  | The price of wheat declined last year. |

|  |  |
| --- | --- |
| D.  | The general price level increased by 4 percent last year. |

|  |  |
| --- | --- |
| E.  | Business investment decreased by 2 percent last year. |

 |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #18Topic: 01-03 Economics DefinedType: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 19. | Macroeconomics approaches the study of economics from the viewpoint of:

|  |  |
| --- | --- |
| A.  | individual producers |

|  |  |
| --- | --- |
| B.  | governmental units |

|  |  |
| --- | --- |
| C.  | specific product and resource markets |

|  |  |
| --- | --- |
| D.  | individual consumers |

|  |  |
| --- | --- |
| **E.**  | entire economic sectors |

 |

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| --- |
| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #19Topic: 01-03 Economics DefinedType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. | Which of the following is a macroeconomic statement?

|  |  |
| --- | --- |
| **A.**  | The gross profits of all Canadian businesses were $60 billion last year. |

|  |  |
| --- | --- |
| B.  | The price of computers declined by 3 percent last year. |

|  |  |
| --- | --- |
| C.  | Bombardier's profits decreased last year. |

|  |  |
| --- | --- |
| D.  | The productivity of Canadian steelworkers increased by 1 percent last year. |

|  |  |
| --- | --- |
| E.  | The prices of science and technology stock rose by 10 percent last year. |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #20Topic: 01-03 Economics DefinedType: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. | Economic models:

|  |  |
| --- | --- |
| A.  | are useless because they are not based upon laboratory experiments |

|  |  |
| --- | --- |
| B.  | deal with a multitude of details |

|  |  |
| --- | --- |
| **C.**  | are generalizations of economic reality |

|  |  |
| --- | --- |
| D.  | are abstractions of reality and are, therefore, of no use to economists |

|  |  |
| --- | --- |
| E.  | are more effective the more complex they are |

 |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #21Topic: 01-04 Economic ModelsType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. | Economic models:

|  |  |
| --- | --- |
| A.  | are of limited use because they cannot be tested empirically |

|  |  |
| --- | --- |
| B.  | are limited to variables that are directly related to one another |

|  |  |
| --- | --- |
| **C.**  | emphasize basic economic relationships by abstracting from the complexities of the real world |

|  |  |
| --- | --- |
| D.  | are unrealistic and are, therefore, of no practical consequence |

|  |  |
| --- | --- |
| E.  | are often illogical, but are sometimes useful |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #22Topic: 01-04 Economic ModelsType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. | Which of the following is a correct statement?

|  |  |
| --- | --- |
| A.  | Economics is concerned only with explaining the way that economies actually operate and not with how they should operate. |

|  |  |
| --- | --- |
| **B.**  | Though not quantitatively exact, economic laws are useful because they allow us to predict and, therefore, to control or to adjust to events. |

|  |  |
| --- | --- |
| C.  | Economics is as scientific as physics and chemistry because economic laws are as quantitatively precise as the laws of physics or chemistry. |

|  |  |
| --- | --- |
| D.  | Because economics is concerned with questions of "ought," it is a branch of applied ethics and not scientific. |

|  |  |
| --- | --- |
| E.  | Economics is concerned with how economies should operate and not with how they do operate. |

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| *Accessibility: Keyboard NavigationDifficulty: HardLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #23Topic: 01-04 Economic ModelsType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. | An economic model usually includes:

|  |  |
| --- | --- |
| A.  | neither independent nor dependent variables |

|  |  |
| --- | --- |
| B.  | only a dependent variable and no independent variables |

|  |  |
| --- | --- |
| C.  | the proposition that no relationship exists between various factors |

|  |  |
| --- | --- |
| D.  | only an independent variable and no dependent variables |

|  |  |
| --- | --- |
| **E.**  | two or more factors that have measurable values |

 |

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| --- |
| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #24Topic: 01-04 Economic ModelsType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. | Which of the following statements is correct?

|  |  |
| --- | --- |
| A.  | The value of the independent variable is determined by the value of the dependent variable. |

|  |  |
| --- | --- |
| **B.**  | The value of the dependent variable is determined by the value of the independent variable. |

|  |  |
| --- | --- |
| C.  | The dependent variable designates the "cause" and the independent variable the "effect." |

|  |  |
| --- | --- |
| D.  | There is no cause and effect relationship between an independent and dependent variable. |

|  |  |
| --- | --- |
| E.  | There is only a cause and effect relationship between two dependent variables. |

 |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #25Topic: 01-04 Economic ModelsType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. | If we say that two variables are directly related, this means that:

|  |  |
| --- | --- |
| A.  | the relationship between the two is purely random |

|  |  |
| --- | --- |
| B.  | an increase in one variable is associated with a decrease in the other variable |

|  |  |
| --- | --- |
| **C.**  | an increase in one variable is associated with an increase in the other variable |

|  |  |
| --- | --- |
| D.  | an increase in one variable is associated with no change in the other variable |

|  |  |
| --- | --- |
| E.  | there is no relationship between the two variables |

 |

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| --- |
| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #26Topic: 01-04 Economic ModelsType: Definition* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. | If we say that two variables are inversely related, this means that:

|  |  |
| --- | --- |
| A.  | there is no relationship between the two variables |

|  |  |
| --- | --- |
| **B.**  | an increase in one variable is associated with a decrease in the other variable |

|  |  |
| --- | --- |
| C.  | an increase in one variable is associated with an increase in the other variable |

|  |  |
| --- | --- |
| D.  | an increase in one variable is associated with no change in the other variable |

|  |  |
| --- | --- |
| E.  | the resulting relationship can be portrayed by a straight line parallel to the horizontal axis |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #27Topic: 01-04 Economic ModelsType: Definition* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 28. | Consider the following table:These data suggest that:

|  |  |
| --- | --- |
| A.  | consumption varies inversely with after-tax incomes |

|  |  |
| --- | --- |
| **B.**  | consumption varies directly with after-tax incomes |

|  |  |
| --- | --- |
| C.  | consumption and after-tax income are unrelated |

|  |  |
| --- | --- |
| D.  | a tax increase will increase consumption |

|  |  |
| --- | --- |
| E.  | a tax decrease will decrease consumption |

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| *Difficulty: HardLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #28Topic: 01-04 Economic ModelsType: Numerical* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. | If an inverse relationship exists between x and y, then a(n):

|  |  |
| --- | --- |
| A.  | increase in x will not affect y |

|  |  |
| --- | --- |
| B.  | decrease in x will cause y to decrease |

|  |  |
| --- | --- |
| C.  | increase in y will cause x to increase |

|  |  |
| --- | --- |
| **D.**  | increase in x will cause y to decrease |

|  |  |
| --- | --- |
| E.  | an increase in y will not affect x |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #29Topic: 01-04 Economic ModelsType: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 30. | Ceteris paribus means that:

|  |  |
| --- | --- |
| A.  | if event A precedes event B, A has caused B |

|  |  |
| --- | --- |
| B.  | economics deals with facts, not values |

|  |  |
| --- | --- |
| C.  | if event A happens then event B cannot happen |

|  |  |
| --- | --- |
| D.  | prosperity inevitably follows recession |

|  |  |
| --- | --- |
| **E.**  | all other things remain the same |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #30Topic: 01-04 Economic ModelsType: Definition* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31. | The basic purpose of the ceteris paribus assumption is to:

|  |  |
| --- | --- |
| **A.**  | isolate the relationship between two variables by assuming all other factors remain constant |

|  |  |
| --- | --- |
| B.  | allow one to focus upon micro variables by ignoring macro variables |

|  |  |
| --- | --- |
| C.  | allow one to focus upon macro variables by ignoring micro variables |

|  |  |
| --- | --- |
| D.  | determine whether x causes y or vice versa |

|  |  |
| --- | --- |
| E.  | determine whether two variables are directly or inversely related |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #31Topic: 01-04 Economic ModelsType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 32. | Suppose an economist says "Ceteris paribus, the lower the price of the breakfast cereal, Wheaties, the larger the amount of Wheaties purchased." This statement indicates that:

|  |  |
| --- | --- |
| A.  | the quantity of Wheaties purchased determines the price of Wheaties |

|  |  |
| --- | --- |
| **B.**  | all factors other than the price of Wheaties (for example, consumer preferences and incomes) are assumed to be constant |

|  |  |
| --- | --- |
| C.  | economists can conduct controlled laboratory experiments |

|  |  |
| --- | --- |
| D.  | one cannot generalize about the relationship between the price of Wheaties and quantity purchased |

|  |  |
| --- | --- |
| E.  | the price and quantity demanded of Wheaties are directly related |

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| *Accessibility: Keyboard NavigationDifficulty: HardLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #32Topic: 01-04 Economic ModelsType: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 33. | A positive statement is one that:

|  |  |
| --- | --- |
| A.  | outlines a direct relationship between two variables |

|  |  |
| --- | --- |
| B.  | outlines an inverse relationship between two variables |

|  |  |
| --- | --- |
| C.  | is subjective and is, therefore, based upon a value judgement |

|  |  |
| --- | --- |
| D.  | is necessarily true |

|  |  |
| --- | --- |
| **E.**  | is objective and is, therefore, based upon facts |

 |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #33Topic: 01-04 Economic ModelsType: Definition* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 34. | Which of the following is a positive statement?

|  |  |
| --- | --- |
| A.  | The humidity is too high today. |

|  |  |
| --- | --- |
| B.  | It is too hot to jog today. |

|  |  |
| --- | --- |
| **C.**  | The temperature is 22°C. |

|  |  |
| --- | --- |
| D.  | I enjoy summer evenings when it cools off. |

|  |  |
| --- | --- |
| E.  | I dislike humid nights. |

 |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #34Topic: 01-04 Economic ModelsType: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 35. | Normative statements are concerned with:

|  |  |
| --- | --- |
| A.  | facts and theories |

|  |  |
| --- | --- |
| **B.**  | what ought to be |

|  |  |
| --- | --- |
| C.  | what is |

|  |  |
| --- | --- |
| D.  | rational choice involving costs and benefits |

|  |  |
| --- | --- |
| E.  | what can never be |

 |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #35Topic: 01-04 Economic ModelsType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 36. | Which of the following is a normative statement?

|  |  |
| --- | --- |
| A.  | The temperature is high today. |

|  |  |
| --- | --- |
| B.  | The humidity is high today. |

|  |  |
| --- | --- |
| **C.**  | It is too hot to play tennis today. |

|  |  |
| --- | --- |
| D.  | It will cool off later this evening. |

|  |  |
| --- | --- |
| E.  | I think it will be hot today. |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-01 Describe the economic problem-the problem of having unlimited wants; but limited resources-that underlies the definition of economicsLovewell - Chapter 01 #36Topic: 01-04 Economic ModelsType: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 37. | A product has utility if it:

|  |  |
| --- | --- |
| A.  | takes more and more resources to produce successive units of it |

|  |  |
| --- | --- |
| B.  | can be produced in unlimited quantities |

|  |  |
| --- | --- |
| **C.**  | satisfies consumer wants |

|  |  |
| --- | --- |
| D.  | is useful |

|  |  |
| --- | --- |
| E.  | is available in only limited quantities |

 |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #37Topic: 01-04 Economic ModelsType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 38. | Utility refers to the:

|  |  |
| --- | --- |
| A.  | extent to which a product can be used as a capital resource |

|  |  |
| --- | --- |
| B.  | opportunity cost of a product |

|  |  |
| --- | --- |
| C.  | relative scarcity of a product |

|  |  |
| --- | --- |
| D.  | usefulness of a product |

|  |  |
| --- | --- |
| **E.**  | satisfaction that a consumer derives from a good or service |

 |

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| --- |
| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #38Topic: 01-06 Utility MaximizationType: Definition* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 39. | To maximize utility, a consumer who derives greater satisfaction from writing music than from studying drama will choose to:

|  |  |
| --- | --- |
| A.  | study music |

|  |  |
| --- | --- |
| B.  | study drama |

|  |  |
| --- | --- |
| C.  | write plays |

|  |  |
| --- | --- |
| **D.**  | write music |

|  |  |
| --- | --- |
| E.  | both write music and study drama |

 |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #39Topic: 01-06 Utility MaximizationType: Application* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 40. | Which of the following expressions best states the idea of opportunity cost?

|  |  |
| --- | --- |
| A.  | "A penny saved is a penny earned." |

|  |  |
| --- | --- |
| B.  | "He who hesitates is lost." |

|  |  |
| --- | --- |
| **C.**  | "There is no such thing as a free lunch." |

|  |  |
| --- | --- |
| D.  | "All that glitters is not gold." |

|  |  |
| --- | --- |
| E.  | "Watch the pennies, and the pounds will look after themselves." |

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| *Accessibility: Keyboard NavigationDifficulty: HardLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #40Topic: 01-07 Opportunity CostType: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 41. | The notion of opportunity cost:

|  |  |
| --- | --- |
| A.  | applies to consumers, but not to businesses |

|  |  |
| --- | --- |
| B.  | applies to businesses, but not to consumers |

|  |  |
| --- | --- |
| **C.**  | is relevant to economies of all ideological persuasions |

|  |  |
| --- | --- |
| D.  | would disappear if we were able to eliminate poverty |

|  |  |
| --- | --- |
| E.  | does not apply to governments |

 |

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| --- |
| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #41Topic: 01-07 Opportunity CostType: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 42. | The concept of opportunity cost:

|  |  |
| --- | --- |
| A.  | is irrelevant in command economies because of central planning |

|  |  |
| --- | --- |
| B.  | suggests that resources are often unlimited in quantity |

|  |  |
| --- | --- |
| C.  | is irrelevant if the production possibilities curve is shifting to the right |

|  |  |
| --- | --- |
| D.  | suggests that inexhaustible wants can be fulfilled |

|  |  |
| --- | --- |
| **E.**  | suggests that the use of resources in any particular line of production means that alternative outputs must be forgone |

 |

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| --- |
| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #42Topic: 01-07 Opportunity CostType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 43. | Which of the following is not an illustration of the notion of opportunity cost?

|  |  |
| --- | --- |
| **A.**  | A growing economy can produce more ice cream and more ice cream cones at the same time. |

|  |  |
| --- | --- |
| B.  | If I buy a pizza, I will not be able to afford a movie. |

|  |  |
| --- | --- |
| C.  | Resources devoted to the production of computers are not available for the production of computer software. |

|  |  |
| --- | --- |
| D.  | The land on which a Saskatchewan farmer plants wheat is not available for barley production. |

|  |  |
| --- | --- |
| E.  | The more time it takes to commute to work, the less time is available for other activities. |

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| *Accessibility: Keyboard NavigationDifficulty: HardLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #43Topic: 01-07 Opportunity CostType: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 44. | The notion of opportunity cost is best defined as:

|  |  |
| --- | --- |
| A.  | the monetary price of any productive resource |

|  |  |
| --- | --- |
| B.  | the amount of labour that must be used to produce one unit of any product |

|  |  |
| --- | --- |
| C.  | the monetary price of any product |

|  |  |
| --- | --- |
| **D.**  | the utility that could have been gained by choosing an action's best alternative |

|  |  |
| --- | --- |
| E.  | the number of units of a product that are available to be purchased |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #44Topic: 01-07 Opportunity CostType: Definition* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 45. | The production possibilities curve illustrates the basic principle that:

|  |  |
| --- | --- |
| A.  | the production of more of any one item will in time require smaller and smaller sacrifices of other items |

|  |  |
| --- | --- |
| B.  | an economy automatically seeks that level of output that employs all of its resources |

|  |  |
| --- | --- |
| **C.**  | if all the resources of an economy are fully used, more of one item could be produced only if less of another item is produced |

|  |  |
| --- | --- |
| D.  | any production point below the curve reflects high opportunity cost |

|  |  |
| --- | --- |
| E.  | any production point above the curve reflects low opportunity cost |

 |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #45Topic: 01-08 The Production Possibilities CurveType: Definition* |

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| *Lovewell - Chapter 01* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 46. | A total output of 3 TVs and 4 stereos:

|  |  |
| --- | --- |
| A.  | would never be chosen because the economy is capable of producing a larger total output |

|  |  |
| --- | --- |
| B.  | represents the full employment of available resources |

|  |  |
| --- | --- |
| **C.**  | involves the employment of an economy's scarce resources at less than their full capacity |

|  |  |
| --- | --- |
| D.  | is unobtainable in this economy |

|  |  |
| --- | --- |
| E.  | would always be chosen because this is the product combination that gives the economy's citizens the most satisfaction |

 |

|  |
| --- |
| *Difficulty: HardLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #46Topic: 01-08 The Production Possibilities CurveType: Numerical* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 47. | To produce a total output of 3 TVs and 13 stereos, this economy must:

|  |  |
| --- | --- |
| **A.**  | undergo an outward shift in its production possibilities curve |

|  |  |
| --- | --- |
| B.  | ignore the notion of opportunity cost |

|  |  |
| --- | --- |
| C.  | distribute its available resources more efficiently among alternative uses |

|  |  |
| --- | --- |
| D.  | achieve the full employment of available resources |

|  |  |
| --- | --- |
| E.  | leave some of its available resources idle |

 |

|  |
| --- |
| *Difficulty: HardLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #47Topic: 01-08 The Production Possibilities CurveType: Numerical* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 48. | Assume that a change in government policy results in the increased production of all types of products. It can be concluded that the:

|  |  |
| --- | --- |
| **A.**  | economy was not fully employing its resources before the policy change |

|  |  |
| --- | --- |
| B.  | economy's production possibilities curve has shifted to the left as a result of the policy change |

|  |  |
| --- | --- |
| C.  | economy's production possibilities curve does not bow out to the right |

|  |  |
| --- | --- |
| D.  | law of increasing opportunity costs does not apply in this society |

|  |  |
| --- | --- |
| E.  | economy's resources are freely available |

 |

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| --- |
| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #48Topic: 01-08 The Production Possibilities CurveType: Application* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 49. | The production possibilities curve:

|  |  |
| --- | --- |
| A.  | shows all levels of production that are consistent with a stable price level |

|  |  |
| --- | --- |
| B.  | indicates that any combination of products lying outside the curve is undesirable |

|  |  |
| --- | --- |
| C.  | shows how an economy actually employs its resources |

|  |  |
| --- | --- |
| D.  | shows all combinations of products that are most preferred by consumers |

|  |  |
| --- | --- |
| **E.**  | is a frontier between all combinations of products that can be produced and those combinations that cannot be produced |

 |

|  |
| --- |
| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #49Topic: 01-08 The Production Possibilities CurveType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 50. | Any point inside the production possibilities curve indicates:

|  |  |
| --- | --- |
| A.  | that resources are imperfectly shiftable among alternative uses |

|  |  |
| --- | --- |
| B.  | the presence of inflationary pressures |

|  |  |
| --- | --- |
| **C.**  | that more output could be produced with available resources |

|  |  |
| --- | --- |
| D.  | that the economy is saving a part of its income |

|  |  |
| --- | --- |
| E.  | that some of an economy's potential output is not desired by consumers |

 |

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| --- |
| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #50Topic: 01-08 The Production Possibilities CurveType: Application* |

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| *Lovewell - Chapter 01* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 51. | At the end of World War II, Canada's economic adjustment from wartime to peacetime can best be described by the movement from:

|  |  |
| --- | --- |
| A.  | point a to point b |

|  |  |
| --- | --- |
| B.  | point a to point c |

|  |  |
| --- | --- |
| **C.**  | point b to point c |

|  |  |
| --- | --- |
| D.  | point b to point d |

|  |  |
| --- | --- |
| E.  | point c to point b |

 |

|  |
| --- |
| *Difficulty: HardLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #51Topic: 01-08 The Production Possibilities CurveType: Graphical* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 52. | Consider the following two tables.  Suppose that North Cantina is producing 2 hamburgers and 17 hot dogs while South Cantina is producing 2 hamburgers and 21 hot dogs. We can conclude that:

|  |  |
| --- | --- |
| A.  | North Cantina is fully employing its resources but South Cantina is not |

|  |  |
| --- | --- |
| **B.**  | South Cantina is fully employing its resources but North Cantina is not |

|  |  |
| --- | --- |
| C.  | neither South Cantina nor North Cantina is fully employing its resources |

|  |  |
| --- | --- |
| D.  | both South Cantina and North Cantina are fully employing their resources |

|  |  |
| --- | --- |
| E.  | resources are perfectly shiftable between hotdogs and hamburgers |

 |

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| --- |
| *Difficulty: HardLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #52Topic: 01-08 The Production Possibilities CurveType: Numerical* |

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| *Lovewell - Chapter 01* |

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| 53. | The shape of each production possibilities curve:

|  |  |
| --- | --- |
| A.  | indicates that resources shift perfectly from one use to another |

|  |  |
| --- | --- |
| B.  | indicates that resources are virtually unlimited |

|  |  |
| --- | --- |
| C.  | indicates that prices are constant |

|  |  |
| --- | --- |
| **D.**  | illustrates the law of increasing opportunity costs |

|  |  |
| --- | --- |
| E.  | shows that consumer wants are variable |

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| *Difficulty: MediumLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #53Topic: 01-08 The Production Possibilities CurveType: Graphical* |

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| 54. | The concept of opportunity cost is best represented by the:

|  |  |
| --- | --- |
| A.  | shift of the production possibilities curve from PP1 to PP2 |

|  |  |
| --- | --- |
| B.  | move from point B on PP1 to point E on PP2 |

|  |  |
| --- | --- |
| C.  | move from point E on PP2 to point A on PP1 |

|  |  |
| --- | --- |
| D.  | move from point D inside PP1 to point B on PP1 |

|  |  |
| --- | --- |
| **E.**  | move from point B to point C along PP1 |

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| *Difficulty: HardLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #54Topic: 01-08 The Production Possibilities CurveType: Graphical* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 55. | An improvement in technology could be expected to:

|  |  |
| --- | --- |
| **A.**  | shift the production possibilities curve from PP1 to PP2 |

|  |  |
| --- | --- |
| B.  | shift the production possibilities curve from PP2 to PP1 |

|  |  |
| --- | --- |
| C.  | move the economy from point A to point C along PP1 |

|  |  |
| --- | --- |
| D.  | move the economy from points A, B, or C on PP1 to point D inside PP1 |

|  |  |
| --- | --- |
| E.  | move the economy from point C to point A along PP1 |

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| *Difficulty: MediumLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #55Topic: 01-08 The Production Possibilities CurveType: Graphical* |

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| 56. | Which one of the following would shift the production possibilities curve from PP1 to PP2?

|  |  |
| --- | --- |
| **A.**  | the immigration of skilled workers into the economy |

|  |  |
| --- | --- |
| B.  | a worsening of diseases such as AIDS |

|  |  |
| --- | --- |
| C.  | an increase in consumer prices |

|  |  |
| --- | --- |
| D.  | a reduction in hourly wages |

|  |  |
| --- | --- |
| E.  | a change in consumer preferences |

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| *Difficulty: MediumLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #56Topic: 01-08 The Production Possibilities CurveType: Graphical* |

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| *Lovewell - Chapter 01* |

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| 57. | Points A, B, C, D, and E show:

|  |  |
| --- | --- |
| A.  | that the opportunity cost of bicycles increases while that of computers is constant |

|  |  |
| --- | --- |
| **B.**  | combinations of bicycles and computers that a society can produce by fully employing its resources |

|  |  |
| --- | --- |
| C.  | that the opportunity cost of computers increases while that of bicycles is constant |

|  |  |
| --- | --- |
| D.  | that the demand for computers is greater than the demand for bicycles |

|  |  |
| --- | --- |
| E.  | that the opportunity cost of both bicycles and computers are constant |

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| *Difficulty: MediumLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #57Topic: 01-08 The Production Possibilities CurveType: Graphical* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 58. | If a society is currently producing 9 bicycles and 4 computers, the decision to increase computer output to 6 costs:

|  |  |
| --- | --- |
| **A.**  | 4 bicycles |

|  |  |
| --- | --- |
| B.  | 2 bicycles |

|  |  |
| --- | --- |
| C.  | 5 bicycles |

|  |  |
| --- | --- |
| D.  | zero because unemployed resources are available |

|  |  |
| --- | --- |
| E.  | irrelevant because this decision is inconsistent with consumer preferences |

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| *Difficulty: HardLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #58Topic: 01-08 The Production Possibilities CurveType: Graphical* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 59. | If a society is currently producing the combination of bicycles and computers shown by point D, the production of 2 more bicycles:

|  |  |
| --- | --- |
| A.  | cannot be realized because resources are fully employed |

|  |  |
| --- | --- |
| **B.**  | costs 1 computer |

|  |  |
| --- | --- |
| C.  | costs 2 computers |

|  |  |
| --- | --- |
| D.  | means that some resources are not fully employed |

|  |  |
| --- | --- |
| E.  | costs 6 computers |

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| *Difficulty: HardLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #59Topic: 01-08 The Production Possibilities CurveType: Graphical* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 60. | The law of increasing opportunity costs is reflected in a production possibilities curve that:

|  |  |
| --- | --- |
| A.  | is an upward-sloping straight line |

|  |  |
| --- | --- |
| B.  | is a downward-sloping straight line |

|  |  |
| --- | --- |
| C.  | bows in to the left |

|  |  |
| --- | --- |
| D.  | is any shape |

|  |  |
| --- | --- |
| **E.**  | bows out to the right |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-02 Explain how economists specify economic choice; including the production choices an entire economy faces; as demonstrated by the production possibilities modelLovewell - Chapter 01 #60Topic: 01-08 The Production Possibilities CurveType: Definition* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 61. | The problem of economic scarcity forces every country to determine:

|  |  |
| --- | --- |
| A.  | the shape of its production possibilities curve |

|  |  |
| --- | --- |
| B.  | the amount of economic resources that can be employed in production |

|  |  |
| --- | --- |
| **C.**  | what, how, and for whom to produce |

|  |  |
| --- | --- |
| D.  | the ways that individuals can pursue their own self-interest |

|  |  |
| --- | --- |
| E.  | how to plan to overcome scarcity |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer themLovewell - Chapter 01 #61Topic: 01-10 Basic Economic QuestionsType: Definition* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 62. | The two basic markets shown by the simple circular flow diagram are:

|  |  |
| --- | --- |
| A.  | capital goods and consumer goods |

|  |  |
| --- | --- |
| B.  | free and controlled |

|  |  |
| --- | --- |
| **C.**  | product and resource |

|  |  |
| --- | --- |
| D.  | household and business |

|  |  |
| --- | --- |
| E.  | government and private |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer themLovewell - Chapter 01 #62Topic: 01-12 Market EconomyType: Definition* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 63. | In the product market:

|  |  |
| --- | --- |
| A.  | businesses sell economic resources to households |

|  |  |
| --- | --- |
| **B.**  | businesses sell consumer products to households |

|  |  |
| --- | --- |
| C.  | businesses buy consumer products from households |

|  |  |
| --- | --- |
| D.  | businesses buy economic resources from households |

|  |  |
| --- | --- |
| E.  | business and households both sell consumer products to each other |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer themLovewell - Chapter 01 #63Topic: 01-12 Market EconomyType: Definition* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 64. | The economy of India most closely approximates a:

|  |  |
| --- | --- |
| **A.**  | traditional mixed economy |

|  |  |
| --- | --- |
| B.  | market economy |

|  |  |
| --- | --- |
| C.  | command economy |

|  |  |
| --- | --- |
| D.  | modern mixed economy |

|  |  |
| --- | --- |
| E.  | traditional economy |

 |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer themLovewell - Chapter 01 #64Topic: 01-14 Mixed EconomiesType: Application* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 65. | Between the early 1990s and late 2000s, India's and China's economies steadily grew by annual average of:

|  |  |
| --- | --- |
| A.  | 4 percent and 6 percent respectively |

|  |  |
| --- | --- |
| B.  | 6 percent and 8 percent respectively |

|  |  |
| --- | --- |
| **C.**  | 8 percent and 10 percent respectively |

|  |  |
| --- | --- |
| D.  | 10 percent and 12 percent respectively |

|  |  |
| --- | --- |
| E.  | 12 percent and 14 percent respectively |

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| *Accessibility: Keyboard NavigationDifficulty: HardLearning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer themLovewell - Chapter 01 #65Topic: 01-14 Mixed EconomiesType: Factual* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 66. | Modern mixed economy refers to an economy:

|  |  |
| --- | --- |
| A.  | with both product and resource markets |

|  |  |
| --- | --- |
| B.  | that engages in both domestic and international trade |

|  |  |
| --- | --- |
| **C.**  | with both private and public sectors |

|  |  |
| --- | --- |
| D.  | that functions primarily on the basis of custom and tradition |

|  |  |
| --- | --- |
| E.  | that operates on the basis of central planning |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer themLovewell - Chapter 01 #66Topic: 01-14 Mixed EconomiesType: Definition* |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 67. | The Canadian economy most closely approximates a:

|  |  |
| --- | --- |
| A.  | traditional mixed economy |

|  |  |
| --- | --- |
| B.  | market economy |

|  |  |
| --- | --- |
| C.  | command economy |

|  |  |
| --- | --- |
| **D.**  | modern mixed economy |

|  |  |
| --- | --- |
| E.  | traditional economy |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer themLovewell - Chapter 01 #67Topic: 01-14 Mixed EconomiesType: Application* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 68. | The unemployment rate includes:

|  |  |
| --- | --- |
| A.  | pensioners |

|  |  |
| --- | --- |
| B.  | homemakers |

|  |  |
| --- | --- |
| **C.**  | brewery workers who have been laid off recently |

|  |  |
| --- | --- |
| D.  | students working part-time at a grocery store |

|  |  |
| --- | --- |
| E.  | young children |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer themLovewell - Chapter 01 #68Topic: 01-15 Economic GoalsType: Definition* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 69. | The Kyoto Protocol:

|  |  |
| --- | --- |
| A.  | aimed to increase emissions of so-called greenhouse gases, in particular carbon dioxide |

|  |  |
| --- | --- |
| **B.**  | was signed by over 170 countries, including Canada |

|  |  |
| --- | --- |
| C.  | ensured that all countries in the world cut greenhouse gases until 2012 |

|  |  |
| --- | --- |
| D.  | requirements were met by Canada, but by few other countries |

|  |  |
| --- | --- |
| E.  | imposed a global carbon tax |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer themLovewell - Chapter 01 #69Topic: 01-15 Economic GoalsType: Factual* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 70. | The achievement of full employment frequently conflicts with the economic goal of:

|  |  |
| --- | --- |
| A.  | economic efficiency |

|  |  |
| --- | --- |
| B.  | economic growth |

|  |  |
| --- | --- |
| C.  | income equity |

|  |  |
| --- | --- |
| D.  | a viable balance of payments |

|  |  |
| --- | --- |
| **E.**  | price stability |

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| *Accessibility: Keyboard NavigationDifficulty: HardLearning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer themLovewell - Chapter 01 #70Topic: 01-15 Economic GoalsType: Definition* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 71. | According to Adam Smith, the most significant single cause of economic progress has been:

|  |  |
| --- | --- |
| A.  | the increase in the fertility of land used in agriculture |

|  |  |
| --- | --- |
| B.  | the use of more specialized forms of machinery in manufacturing |

|  |  |
| --- | --- |
| C.  | a more educated workforce |

|  |  |
| --- | --- |
| **D.**  | the division of labour |

|  |  |
| --- | --- |
| E.  | the rise of large companies that dominate particular industries |

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| *Accessibility: Keyboard NavigationDifficulty: MediumLearning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer themLovewell - Chapter 01 #71Topic: 01-16 The Founder of Modern Economics: Adam Smith and the Invisible HandType: Application* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 72. | Laissez-faire suggests that:

|  |  |
| --- | --- |
| A.  | land and other natural resources should be privately owned but capital should be owned by the government |

|  |  |
| --- | --- |
| B.  | land and other natural resources should be owned by the government but capital should be privately owned |

|  |  |
| --- | --- |
| **C.**  | government should not interfere with the operation of the economy |

|  |  |
| --- | --- |
| D.  | government action is necessary if the economy is to achieve full employment |

|  |  |
| --- | --- |
| E.  | government policies are needed to deal with environmental damage |

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| *Accessibility: Keyboard NavigationDifficulty: EasyLearning Objective: 01-03 Identify the three basic economic questions and how various economic systems answer themLovewell - Chapter 01 #72Topic: 01-16 The Founder of Modern Economics: Adam Smith and the Invisible HandType: Definition* |

Chapter 1 Summary

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| Difficulty: Hard | 14 |
| Difficulty: Medium | 28 |
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